

Ready For More Corn In Your Tank?

Despite opposition from the livestock industry, food manufacturers and environmentalists, trade groups and state officials rally to increase break the blend wall

SARA WYANT



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Ethanol advocates say it's all about the economy, stupid. At a time when the industry is struggling, they say that including more ethanol in our nation's transportation fuels can provide jobs and stimulate the economy – especially in rural areas

where most of the ethanol is produced.

"A new study shows that moving from the blend of E10 to the blend E15 could create and support 136,000 new jobs and inject about \$24 billion into the economy annually," emphasized former Iowa Congressman Jim Nussle during a recent press conference. Nussle is the latest high profile person, along with former Speaker of the House Newt Gingrich and National Farmers Union President Tom Buis, to join forces with Growth Energy, as the trade group launches a major public relations campaign to increase the blend rate from the current 10 percent level.

by Johnson and his counterparts from Iowa, Kansas, Michigan, Minnesota, Montana, Nebraska, Ohio, South Dakota and Wisconsin.

Even USDA Secretary Tom Vilsack endorses the concept and indicates that the EPA could act relatively quickly on Growth Energy's request. Vilsack says that "We'd love to see 15 percent." However, his current focus is on an increase to 12 or 13 percent because it could be accomplished quickly and with minimal scientific review.

"Our hope is that EPA can come to the same conclusion we have, which is that this is something that can be done within existing regulations without a great deal of time spent reviewing the science," he explained.

Not so fast

After launching an aggressive campaign to limit the amount of corn going into fuel production last year, food manufacturers and livestock groups are none too happy about a higher blend rate for corn-based ethanol. A coalition of 10 livestock and grocery groups sent a letter to EPA last month, asking Administrator Lisa Jackson to go slow with any changes.

Table1: NCGA's Vision of the Future Change in Corn Production

	2007-08*		2015-16**		2020-21***	
	(mil bu)	% Supply	(mil bu)	% Supply	(mil bu)	% Supply
Production	13,074		15,170		17,000 ¹	
Carry-in	1,304		1,731		1,800	
Supply	14,398		16,911		18,800	
Feed & Residual	5,974	43%	5,425	32%	6,100 ²	32%
DDG Fed – Corn equivalents	792		1,454		1,400	
Food, Seed & Industrial (FSI)	4,364	30%	6,922	41%	7,900	42%
Food	1,095	8%	1,006	6%	1,025	5%
New Uses, Industrial, Starch	270	2%	435	3%	725 ³	4%
Ethanol (-DDG credit)	3,010 (2,218)	Adjusted Consumption 15%	5,481 (4,027)	Adjusted Consumption 24%	6,150 ⁴ (4,750) ⁴	Adjusted Consumption 25%
Exports (Grain Only)	2,436	17%	2,500	15%	2,760 ⁵	15%
Total Use	12,773		14,847		16,760	
Carry Out	1,624	(Stocks: Use) 13%	2,064	(Stocks: Use) 14%	2,140	(Stocks: Use) 13%

The National Corn Growers Association projects that corn yields and ethanol per acre will continue to increase, enabling growers to easily produce food, feed and fuel.

That ethanol blend rate study, conducted by North Dakota State University's Department of Agribusiness and Applied Economics, also concluded that we would need another six billion gallons of ethanol production capacity to meet the demand for ethanol at a 15 percent blend rate.

Researcher Nancy Hodur says that translates into roughly sixty 100 million-gallon-per-year corn ethanol facilities. In addition to the annual employment and economic contribution of the additional ethanol production, the construction of these new facilities would lead to a one-time economic boost of \$36.8 billion and create more than 260,000 new construction-related jobs

"While there have been many media reports about the struggling ethanol sector, there has been little discussion about the cause," said Dr. Larry Leistritz, professor of agricultural economics at North Dakota State University and contributor to this report. "Part of the industry's challenge is this regulatory cap. Lifting the cap could provide serious benefits by putting the industry on a path for growth and generating billions of dollars in revenue for many struggling communities."

In EPA's hands

Last week, Growth Energy formally requested the U.S. Environmental Protection Agency (EPA) raise the "decades-old, arbitrary limit" for blending ethanol with gasoline from the current 10 percent (E10) up to 15 percent (E15). To approve the higher ethanol blend request, the EPA only needs to determine that ethanol blends up to 15 percent will not affect the emission control systems in vehicles The EPA has 270 days to review, collect public comment and make a decision.

The Renewable Fuels Association also joined with Growth Energy, the American Coalition for Ethanol, the National Ethanol Vehicle Coalition, and other groups in filing an official waiver request with the EPA, asking it to approve for general use, gasoline blended with up to 15 percent ethanol.

Meanwhile, Ford Motor Company became the first automaker to publicly embrace the widespread use of higher ethanol blends. In the past, many auto companies have been reluctant to support added ethanol for fear that the alcohol could lead to damage to fuel lines and catalytic converters.

"Ford endorses efforts to increase base level blends up to E15 and collaborate with key stakeholders to overcome challenges with introducing these higher levels of ethanol," Susan Cischke, Ford's group vice president for sustainability, environment and safety engineering, wrote in a letter to Jeff Broin, CEO of POET, and the main funding source for Growth Energy.

State officials on the bandwagon

Joining the effort to increase the blend rate: Several Governors and the leading agriculture officials from 10 midwestern and western states. On March 6, they urged President Barack Obama to support the production and use of fuel blends that contain more ethanol than now allowed.

"The ethanol industry is under considerable financial stress because ethanol, unlike oil, is held to less than 10 percent of the market," said North Dakota Agriculture Commissioner Roger Johnson. "Now is the time to move forward by increasing the base fuel blend to 15 or 20 percent ethanol." The letter to Obama was signed

The groups said EPA should only consider raising the ethanol blend after cellulosic and advanced biofuels are commercially available throughout the nation, Congress has phased out the nation's tariff on ethanol imports and, EPA has conducted a rulemaking process, including a 180-day public comment period, on the proposed change.

"Our organizations strongly oppose proposals to increase the level at which ethanol can be blended into motor gasoline and we urge you to subject these proposals to the most careful analysis," according to letter from the coalition, which includes the National Chicken Council, the National Pork Producers Council, the Grocery Manufacturers Association and the National Restaurant Association.

The groups ask that EPA hold off on approving higher ethanol blends until several ongoing agency policy efforts are completed, including EPA's greenhouse gas lifecycle analysis required by the 2007 energy law, an ongoing EPA and energy department assessment of the impact of mid-level blends on engines, and a National Academy of Sciences study of the impact of the renewable fuel standard (RFS) that the 2007 energy law mandated the academy release this spring.

Environmentalists also urge a "go slow approach" to higher blends, citing fears about water pollution from increased corn production and concerns over availability of water supplies. They recently issued a platform that they say represents a sensible biofuels policy, including:

Federal policy should no longer seek to expand the production and use of corn ethanol and the US government should freeze the renewable fuels mandate (RFS) for conventional fuels at current levels.

Change the direction of US biofuels policy by phasing out the blender's tax credit while phasing in tax credits or subsidies for renewable fuels that are scaled in accordance to the fuel's relative environmental, health, and consumer protection merits.

Rebalance the U.S. renewable energy and energy conservation portfolio to reflect the relative contribution true renewable energy options make to reducing fossil fuel use, enhancing the environment, spurring economic development, and increasing energy security.

Proceed with caution by engaging in serious and practical research on "advanced biofuels" to ensure we avoid the same kind of "unintended consequences" that have resulted from the push to expand production of corn ethanol.

"Building a future economy based on renewable energy is absolutely critical to our country and our children. We need to overhaul our biofuels policies now to rescue any hope that sustainable biofuels will be part of that future," said Craig Cox, Midwest Vice-president for the Environmental Working Group.

While both sides are offering plenty of advice, the folks at EPA must ultimately decide whether to change the blend rate. Given what we already hearing from the Obama Administration, it appears that the new team is prepared to build on the renewable energy platform they inherited and keep moving forward with increased levels of ethanol. Δ

Editor Sara Wyant publishes a weekly e-newsletter covering farm and rural policy called *Agri-Pulse*. For a four-week free trial, go to www.Agri-Pulse.com