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Energy prices have at least twice the impact as corn prices in the grocery aisle

Despite the recent media coverage conveniently blaming grocery price increased on corn-based ethanol, new research from economist John Urbanchuk of LECG, LLC found that rising energy prices have at least twice the impact on the Consumer Price Index (CPI) for food than does the price of corn. The study's numbers show that consumers might pay an additional \$10 for groceries due to corn prices, but at the same time they pay an additional \$20 to \$30 due to escalating fuel prices.

"Critics of ethanol are stirring controversy where none exists, because higher food prices have more to do with \$3.50 per gallon fuel than with \$3.50 per bushel corn," said Brian Jennings, ACE Executive Vice President. "While corn prices might add \$10 per year to a person's grocery bill, skyrocketing gasoline prices are taking an additional \$10 a week out of peoples' pocketbooks."

While corn is an ingredient in only **some** grocery items – mainly livestock, dairy, and poultry – **all** grocery items are dependent upon energy for production, processing, packaging, and shipping. These non-farm costs make up the majority of the real cost of food; according to the USDA, 81 cents of every food-cost dollar pays for expenses such as labor, packaging, advertising, transportation, and energy costs.

"If corn prices due to ethanol demand do indeed add a couple of cents per day to Americans' food bills, this is a great value for creating thousands of new American jobs, breathing cleaner air, saving billions in farm program costs, and lessening our dependence upon expensive imported oil and gasoline," Jennings said.

Since January of this year, the retail price of gasoline has gone up by more than a dollar. These record or near-record gas prices cost Americans an additional \$500 a year just to fuel up their vehicles, not to mention the increased prices paid for all manner of consumer goods dependent upon transportation.

"Record high oil and gasoline costs are cutting deeply into American consumers, and the only way to shake off the heavy burden of fuel costs is to find alternatives," Jennings said. "Ethanol is the most real, meaningful alternative fuel available today – a true bright spot in an otherwise bleak energy supply picture. Ethanol is part of the solution, and the farmers and entrepreneurs of the U.S. ethanol industry are taking action to help America get its energy situation in order."

Read the full research on ACE's website, www.ethanol.org.

Inside ACE

Registration for ACE Ethanol Conference is open through July 31

If you haven't done so already, please visit www.ethanol.org to register for the upcoming ACE Ethanol Conference & Trade Show. The 20th anniversary event will be held August 7-9 at the River Centre in St. Paul, Minnesota. Click on the "Conference & Trade Show" heading for an easy-to-use online registration form. Contact the ACE office with any questions: (605) 334-3381.

In addition to keynote addresses from Minnesota Governor Tim Pawlenty and U.S. Senator John Thune, ACE is pleased to bring a top-notch lineup of speakers and topics. Come join in the conversation about the potential for higher blends of ethanol, the truth behind the "food vs. fuel" debate, the commercialization of cellulosic ethanol, ethanol as a global warming solution, and ethanol production innovations.

New issue brief shows impact of ethanol production on food, feed, and fuel

A new issue brief, published by the Clean Fuels Development Coalition (CFDC) as part of the Ethanol Across America education campaign, shows that the production of ethanol from corn has had minimal, if any, impact on consumer food prices while reducing fuel costs to consumers across the country.

The Issue Brief, which is a compilation of existing data and research, shows that while corn prices have indeed nearly doubled in the past year, according to the U.S. Commerce Department's Consumer Price Index (CPI), food costs have increased just 2%, which is less than their historical average of 2.9% per year. And, during this time, petroleum prices increases have had an even greater impact due to higher costs of bringing products to market and food processing.

The American Coalition for Ethanol is proud to have co-sponsored the new publication. A PDF copy of the publication is attached and is available online at www.ethanol.org.

USDA reports even larger corn crop than expected

In its June 30 crop report, the U.S. Department of Agriculture announced that U.S. farmers are reporting a 92.9 million acre corn crop in the ground. This figure is up from the department's Prospective Plantings Report which anticipated a 90.5 million acre planting, an increase of 3 percent over the intentions stated in March. The 92.9 million acre figure represents a 19 percent increase over 2006 and a 14 percent increase over 2005. The nation's largest corn crop was planted in 1944 at 95.5 million acres.

Pinal Energy begins production in Arizona

Arizona's first commercial ethanol plant has begun production – Pinal Energy LLC, located near Maricopa. Most of the 52 mgy facility's ethanol production is slated for in-state marketing via truck to markets in nearby Phoenix, as well as to the Tucson area. The plant does also have rail access to the Union Pacific mainline. The ethanol plant is located on the site of Arizona Grain, its parent company, which ships in approximately 90 percent of the plant's corn from the Midwest. The ethanol will be marketed through subsidiary PinalJet LLC.

“ALLSAFE” group forms to prevent higher blends of ethanol

The formation of a group that calls itself “ALLSAFE,” the Alliance of a Safe Alternative Fuels Environment, serves as a clear sign that certain interest groups are uneasy about the steps that ACE and others in the U.S. ethanol industry are taking to establish a market for higher blends of ethanol as E15, E20, and E30. Accompanying the announcement of its formation, the 15-member group released a report discussing the potential negative impact of ethanol blends greater than 10 percent. The group is working to derail any legislative or regulatory effort to approve the use of higher blends in automobiles.

Upcoming Events

20th Anniversary ACE Ethanol Conference & Trade Show

August 7-9, 2007 – St. Paul, Minnesota

www.ethanol.org

3rd Annual Biofuels Financial Conference

August 22-23, 2007 – Sheraton Inn—Sioux Falls, South Dakota

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Oregon home to new biofuels mandates

The Oregon Governor has signed a biofuels package into law requiring 10 percent ethanol and 2 percent biodiesel. The law would require gasoline sold in the state to contain 10 percent ethanol three months after ethanol production in Oregon reaches 40 million gallons. Beginning July 1, the city of Portland also has a biofuels mandate on the books, requiring 5 percent biodiesel and 10 percent ethanol blends.

Under the law, tax incentives will be provided for Oregon ag and forestry products used as feedstocks for the biofuels production. Five cents per pound will be provided for oilseed crops, 90 cents per bushel for grains, 10 cents per gallon for virgin oil or alcohol delivered for production in the state, 10 cents per gallon for cooking oil or waste grease, and five dollars per ton for animal manure or rendering byproducts. The tax credits are set through January 1, 2013.

America's first E85 chopper from Orange County Choppers

The Iowa Farm Bureau Renewable Energy Chopper was unveiled last month at the Iowa Corn Indy 250. The chopper is part of an Iowa Farm Bureau effort called "Join the Ride Iowa," to encourage the development and use of renewable energy. The custom-built bike includes innovative design features such as: spinners in the wheels to the scale of a wind turbine, fenders 3-D sculpted as corn and soybeans, an E85-powered engine, and a custom cowhide leather seat featuring depictions of livestock.

By purchasing \$10 raffle tickets, consumers will have an opportunity to win the chopper as it makes its way on the "Join the Ride Iowa" tour across Iowa this summer. Gross proceeds from the raffle will go to the American Lung Association of Iowa in support of the organization's "Clean Air Choice" program, which promotes consumer education of E85, biodiesel and other clean energy initiatives.

World speed record fueled by E85

The world's speed record for a street automobile was broken early this month when a 1,200 horsepower E85 Viper went from 0 to 220.7 miles per hour to complete a mile in 27.41 seconds. Karl Jacob, the vehicle's owner, converted the vehicle to run on E85 with the help of an aftermarket vehicle modification company. The record-setting race, held at the Oscoda-Wurtsmith Airport in Michigan, broke the previous land speed record of 217.85 mph by a gasoline-powered car,

POET breaks ground near North Manchester, Indiana

On July 13, POET celebrated the ground breaking ceremony for the company's third ethanol plant in Indiana. The \$130 million facility, located near North Manchester, Indiana, will produce 65 million gallons of ethanol annually, along with 178,000 tons of Dakota Gold Enhanced Nutrition Distillers Products™.

The company notes that this facility will be one of the most environmentally friendly ethanol plants in operation. The facility will utilize proprietary technology, such as the patent-pending BPX process that eliminates cooking in ethanol production and reduces energy use by as much as 15 percent. The plant will recycle all water used in the production process and will feature a regenerative thermal oxidizer to eliminate up to 99.9 percent of air emissions.

DOE selects three Bioenergy Research Centers

U.S. Department of Energy (DOE) Secretary Samuel Bodman has announced that the department will invest up to \$375 million in three new Bioenergy Research Centers. The centers will be located in Oak Ridge, Tennessee; Madison, Wisconsin; and near Berkeley, California.

The centers are intended to accelerate basic research in the development of cellulosic ethanol and other biofuels, advancing President Bush's Twenty in Ten Initiative, which seeks to reduce U.S. gasoline consumption by 20 percent within 10 years through increased efficiency and diversification of clean energy sources. DOE plans to fund the first five years of operation for the centers, fiscal years 2008-2013.

Global climate change legislation revised for rail study

At the conclusion of June, the House's global climate change legislation included biofuels provisions that will provide for a one year study of the capacity of the nation's rail system as it responds and prepares to respond to the exponentially growing biofuels industry. Sponsored by Congresswoman Tammy Baldwin (D-WI), the provision's intent is to determine whether current rail systems have adequate staffs, charge appropriate fees, and will move biofuels supplies efficiently in years to come. Letters of support for Baldwin's proposal included those from the American Public Power Association, the American Farm Bureau Association, the American Coalition for Ethanol, the United Transportation Union, and more.



Coming soon in the August issue of Ethanol Today:

- Bio-powered biofuel facilities blaze trail for the industry's future
- ACE celebrates 20 years of grassroots advocacy
- Industry leader profiles, industry news, and more!

ACE-mail is provided as a service to American Coalition for Ethanol members.

With questions, comments, or e-mail address updates, please contact [Lacey Horkey, Outreach Coordinator](#).

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