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For Immediate Release

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Anti-Ethanol Opinion in Forbes is Way Off Base. Coburn Amendment Holds American Consumers Hostage to Big Oil and OPEC

By Gale Lush, Chairman
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The opinion piece, "Ethanol Subsidies: Dumping Corn In The Ocean Would Be A Better Idea" that appeared in *Forbes* online dated June 7, 2011, written by Colin A. Carter with the University of California, Davis and Henry I. Miller with the Hoover Institution is one of the latest in a series of attacks on the ethanol industry. Many such attacks appear to be directly or indirectly funded by oil industry disinformation campaigns that use "rented" front groups and talking heads. While it is difficult to determine the sources of funding for their specific work given that a list of current funding sources for either the U. C. Davis Giannini Foundation or the Hoover Institution are not readily available on their web sites, Economicexpert.com lists oil and gasoline-related entities, the Exxon Educational Foundation, the ARCO Foundation as well as the Archer Daniels Midland Foundation (with an obvious interest in cheap corn) as sources of funding for the Hoover Institution.

Carter and Miller miss the mark relative to the price of corn being "pivotal" in the world food equation. Yes, corn prices are higher than they have been, but it is high oil and energy prices that are having a much larger impact on food prices. Raw farm gate commodity prices comprise only 20% of the price of food. The other 80% is shipping, packaging, processing, advertising costs, etc. When corn prices were $3.50/bushel the value of corn in a box of corn flakes was only about 4 cents. The freight cost to get a truck load of 1,400 boxes of corn flakes to the store shelve, typically 1,500 miles, was over $500 when gas was $2.67/gallon. With corn now at $7.50/bushel the value of corn in a box of corn flakes is still less than 10 cents but imagine what the freight bill is with the price of gasoline closer to $4/gallon. Corn is only 3% of the food dollar. When the average animal travels over a thousand miles from producer to plate, it's clear that oil and gas prices are pushing up the cost of everything. It is also clear that oil companies are scrambling for a scapegoat while they rake in billions every month in profits, courtesy of high oil prices and 100 year old federal oil subsidies. According to one analysis the five largest oil companies (oligopolies) earned over $750 billion in profits over the last ten years. And in the first quarter of 2009, when the U.S. GDP shrank 6.4%, they earned more than $13 billion in profits.

The ethanol industry is an economic security superstar for the U.S. and especially for Nebraskans and the Nebraska economy. Nebraska's final ethanol production incentive program, administered by the Nebraska Ethanol Board, generated $1 billion in ethanol project investment in the state. The 539 million gallons of ethanol produced from just those ten of the state's twenty-four ethanol plants creates jobs, increases farm and rural income, strengthens the local property tax base through higher farm land assessed values and indeed lowers the price of gasoline for all consumers. Ethanol does all of this while only using the starch to produce nearly 3 gallons of ethanol from every 1 bushel of corn, while still providing the protein, minerals and high value feed components for the livestock feeding industry. Distillers grains from ethanol plants is used extensively by Nebraska farmers and livestock feeders, is shipped by the trainloads to dairies in California and is exported to China and other foreign markets as a high value feed to produce high-value protein meat products for human food consumption. Furthermore, the yellow field corn used in ethanol production is not the same varieties of corn typically used directly for human food. How many consumers have eaten any No. 2 yellow field corn recently? Humans eat sweet corn or the chips and products made from food-grade yellow or white corn varieties grown under contract with companies like Frito Lay and intended for processing into human food, not livestock feed products. Ethanol production is not taking food away from starving people around the world, because they would not have been eating that U.S. yellow field corn anyway. Indeed, higher corn prices worldwide provides an incentive for indigenous people to produce more food locally, in their own countries rather than importing all their needs from the United States. Cheap corn has just the opposite effect, making foreign countries dependent on U.S. grain exports instead of becoming self sufficient.

Carter and Miller again miss the mark regarding the economic benefit that ethanol provides to American consumers and motorists via lower gasoline prices at the pump. The Center for Agriculture and Rural Development at Iowa State University published an updated working paper in April 2011 (funded in part by the Renewable Fuel Association), **The Impact of Ethanol Production on US and Regional Gasoline Markets**, which reports on what would happen to gasoline prices if ethanol production came to an immediate halt. They estimate that the gasoline price increase would be of historic proportions, ranging from 41% to 92%. Their report shows that based on 2010 data only, given higher ethanol production and crude oil prices, without ethanol in the pipeline, U.S. gasoline prices would have averaged $.89 per gallon higher. Without ethanol the regional impacts would have been $.58/gallon higher gas prices in the East Coast and $1.37/gallon higher gasoline prices in the Midwest. This report confirms the massive benefit ethanol provides to all U. S. consumers. Ethanol is not just about economic benefits to rural America. Ethanol benefits all Americans.

Carter and Miller also suggest that Senator Dianne Feinstein (D-Calif.) and Senator Tom Coburn (R-Okla.) are on the right path with the anti-ethanol bill they introduced in Congress to remove the ethanol incentives. Feinstein is a California liberal sometimes aligned with left-wing, anti-ethanol environmental groups and recently is even quoted and praised by the corporate, mega cattle feeding (CAFO) mouthpieces that want cheap corn. Coburn is an Oklahoma “oil conservative” with obvious oil-industry-related reasons for being anti-ethanol. Why aren’t Senators Feinstein and Coburn proposing getting rid of the oil and fossil fuel subsidies that, according to DTN, are as much as 10 times higher than the support provided to ethanol, if they are worried about the federal budget? The oil companies have had those subsidies for about 100 years, even U. S. subsidies for foreign oil production. Last Friday, OPEC said they won’t increase oil production and oil prices jumped.

Rural America should align with Iowa Republican U.S. Senator Chuck Grassley who recently spoke to the ethanol incentive issue on the U.S. Senate floor, stating, “I didn’t pick this fight. I support energy from all sources. I support traditional oil and gas. And so do American taxpayers with tax incentives, for an industry that’s 100 years old. So, the attack on home-grown energy is really remarkable. We shouldn’t be fighting each other over domestic energy sources. We should be fighting OPEC and foreign dictators and oil sheiks that hold our economy hostage….Repeal of the ethanol tax incentive would raise taxes on producers, blenders and ultimately consumers of renewable fuel….Ethanol currently accounts for 10 percent of our transportation fuel. A study concluded that the ethanol industry contributed $8.4 billion to the federal treasury in 2009 --- $3.4 billion more than the ethanol incentive. Today, the industry supports 400,000 U.S. jobs. That’s why I support a home-grown, renewable fuels industry.” Senator Grassley is absolutely on target. All Nebraskans should thank the ethanol industry and the resulting strong corn prices and strong farm/rural income for keeping our state and region from following the same economic collapse other regions did when the 2008 recession hit.

On the issue of “farm subsidies” it was some of the same anti-renewable energy corporate livestock and multi-national grain processing and exporting firms that lobbied Congress in the 1980’s and 1990’s to get rid of farm programs and convert grain price supports to income supports. Some of us strongly opposed that. We knew their self-serving agenda was perpetually cheap corn. Their pitch was to tell the farm sector that we should create new domestic markets for corn through new uses such as ethanol, as a means to get our corn price from the “market”. Rural America did exactly that and we were clearly more successful than they hoped we would be. If the U.S. ethanol industry were a foreign supplier of gasoline, only Canada would supply the U.S. with more gasoline than the U.S. ethanol industry. And, unlike oil from Canadian tar sands ethanol is safe for the environment and needs no pipeline through the fragile Nebraska Sand Hills. Ethanol is an economic superstar. Let's produce more ethanol and give consumers the choice of how much to use by quickly expanding our blender pump infrastructure. Let's not allow big oil to hold us hostage as the Coburn amendment will do.

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