Livestock farmers seek pause in ethanol production(2)

JIM ABRAMS - Associated Press - Associated Press

Livestock farmers and ranchers seeing their feed costs rise because of the worst drought in a quarter-century are demanding that the Environmental Protection Agency waive production requirements for corn-based ethanol.

One-third of House members have also signed onto a letter urging EPA Administrator Lisa Jackson to relax ethanol production targets in light of corn supply concerns and spiking prices.

The EPA says it is working with the Agriculture Department and is keeping a close eye on crop estimates and how they might relate to the biofuel program. But so far, the Obama administration, citing ample ethanol supplies, sees no need for a waiver. That's an opinion shared by corn growers — many of them in the presidential election battleground states of Iowa and Ohio — who continue to support the mandate.

"If not now, when?" Randy Spronk, a Minnesota pork farmer, said of the EPA's authority to defer the ethanol production requirement when it threatens to severely harm the economy of a state or region. "Everyone should feel the pain of rationing."

Spronk, who is president-elect of the National Pork Producers Council, said livestock producers will have to reduce their herds and flocks because feed is becoming scarce and too expensive. Cattlemen and chicken farmers have the same concern.

"We do support the American ethanol industry," said Kristina Butts, executive director of legislative affairs at the National Cattlemen's Beef Association. "All we are asking for is that competition for that bushel of corn be on a level playing field."

The government, she said, "is picking the ethanol industry to be the winner to get that bushel of corn."

The Renewable Fuel Standard, enacted in 2005 and then significantly expanded in 2007, requires that 13.2 billion gallons of corn starch-derived biofuel be produced in 2012. The intent was to reduce both greenhouse gas emissions blamed for climate change and dependence on foreign oil.

One consequence is that 40 percent of the nation's corn crop now goes to ethanol producers, compared with 36 percent for feed. The rest is divided between processed food and exports. Critics say ethanol also is a big factor in the price of a bushel of corn going from an average $2.15 a bushel in the 1997-2006 period to more than $8 today.

With half the nation's corn crop now in poor condition, "relief from the Renewable Fuel Standard is extremely urgent because another short corn crop would be devastating to the animal agriculture industry, food manufacturers, food service providers, as well as consumers," 156 House members wrote EPA Administrator Lisa Jackson in urging her to issue a waiver. Twenty-five senators, about evenly divided between the two parties, wrote a similar letter to Jackson this week.

The House letter was signed mainly by Republicans, who are outspoken in their opposition to EPA regulations. But as with the Senate, the majority of signees were from the South, where the poultry industry is strong, with others coming from Western cattle states and Northern dairy states. Midwestern corn states like Iowa and Ohio were largely unrepresented.

It's more complicated for people like Kevin Ross, who raises corn and soybeans in southwest Iowa and heads the Iowa Corn Growers Association. Losing the ethanol market, he said, would definitely hurt his business. Having another major market for corn, he said, "has had an effect on the rural economy that's not been seen in decades. ... I really hope we don't make any rash decisions about it."

Ross and others pointed to a study by Iowa State economist Bruce Babcock concluding that because of the flexibility built into the current mandate system, removing the ethanol requirement would only decrease corn prices by about 28 cents a bushel, or 4.6 percent.

In an interview with The Associated Press, Babcock cautioned that at this point no one knows what the final corn yield will be. But if it drops dramatically from current projections, his estimate for the impact of suspending the mandate would go up. "The worse the corn crop, the bigger will be the effect on corn prices."

The ethanol industry, backed by the Obama administration, says it's unfair to blame it for turmoil in the corn market. Tom Buis, CEO of Growth Energy, which represents producers and supporters of ethanol, said at a recent news conference that he'd "never heard a bigger whopper" than the argument that fuel demands were hurting food supplies.

The ethanol industry argues that the Agriculture Department's estimate that ethanol consumes a 40 percent share of the corn market is misleading because about a third of the ethanol corn is refined into a high-value animal feed called dried distiller grain. Buis said ethanol's actual share of the corn crop as a fuel is closer to 16 percent.

Renewable Fuels Association CEP Bob Dinneen also pointed out that there is flexibility built into the system. For example, ethanol produced one year but not used can be carried over to the next year. He said ethanol production has always been above what was required and that this year, with supplies down and prices up, producers are already slowing production.

Agriculture Secretary Tom Vilsack echoed that at a White House briefing last month, saying: "There's no need to go to the EPA at this point in time. Based on the

quantity of ethanol that's currently in storage, there's no problem in that area at this point in time."

He also pointed out that despite the drought, the corn crop could still be one of the larger ones in history because farmers, enticed by high prices, planted so many acres this spring.

The EPA also turned down a request by Texas Gov. Rick Perry in 2008 to waive the mandate because of drought in his state.

C. Larry Pope, president and CEO of Smithfield Foods Inc., the world's largest pork producer, said in a July 26 Wall Street Journal opinion piece that Congress should pass a House proposal that would tie the Renewable Fuel Standard percentage to free-market supply and demand. He said that with the ethanol mandate and the high price of corn, "Smithfield was forced to take the unfortunate but absolutely necessary step of buying corn from Brazil."

That brought a quick retort from Sen. Charles Grassley, R-Iowa, who went to the Senate floor to compare Pope to Henny Penny, the character from the children's story "Chicken Little" who warned everyone that the sky was falling.

"Why did farmers plant 96 million acres of corn this year? Why have seed producers spent millions to develop better yielding and drought resistant traits?" Grassley asked. "The answer is simple: ethanol."

___

Online:

EPA's Renewable Fuel Standard site:
http://www.epa.gov/otaq/fuels/renewablefuels/index.htm

Source URL (retrieved on *07/22/2014 - 12:47pm*):
http://www.chem.info/news/2012/08/livestock-farmers-seek-pause-ethanol-production2?qt-recent_content=0