

No Reason to Reduce the Renewable Fuel Standard (RFS)

America's livestock industry has been abusing the drought conditions facing farm families in the Midwest to spread a campaign of misinformation against ethanol production and the Renewable Fuel Standard. Growth Energy wants to set the record straight:

MYTH: Ethanol production is driving up corn prices.

TRUTH: The primary driver of the volatility in the corn market is Mother Nature. The U.S. is facing the most difficult drought in the last 50 years. This and this alone is driving prices in the corn market.

MYTH: The only way to alleviate high corn prices is to waive the RFS.

TRUTH: Waiving the RFS is not necessary. In fact, the free market is already addressing the supply and demand issues. There is no need for the government to interfere.

- Because Americans are driving less with the down economy, there is a glut of ethanol in the fuel market. In fact, there is a 30 day supply of ethanol in storage – the equivalent of 350 million bushels of corn.
- Further, because more ethanol has been used than the RFS called for each year since 2005, fuel blenders have built up 2.5 billion excess RFS credits that can be used to meet RFS targets – the equivalent of approximately 850 million bushels of corn.
- As corn prices have risen, ethanol producers have reduced production by 160,000 barrels a day since last year.
- Domestic feed demand will decline as cattle herds are culled due to inadequate pasture and forage caused by the drought. Nearly 80 percent of a beef cow's weight comes from pasture and forage, not corn.
- In addition, exports of corn and ethanol are declining, and some estimates are that this reduction could reach 500 million bushels this year – bolstering domestic livestock feed supplies.

MYTH: Feed supplies are at record lows.

TRUTH: Ethanol production has actually helped increase the supply of domestic livestock feed. This is because ethanol production only removes the starch from the corn. The protein, fiber, and oil is all returned to the animal feed supply in the ethanol feed co-product known as Distiller's Grains. Distiller's Grains amount to one third of the corn used in ethanol production. High-protein Distiller's Grains

also replace soybean meal in feed rations, making the value roughly 40 percent of the gross amount of corn used in ethanol. This means that the net usage of corn to produce ethanol is only 60 percent of the amount often quoted. With 5 billion bushels of corn used in ethanol production last year, the net amount used was only 3 billion bushels.

MYTH: Forty percent of the corn crop goes to ethanol

- Actual "net acres" used for ethanol are less than 50 percent of gross acres

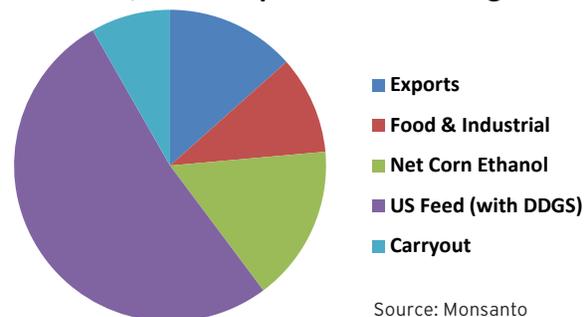
- Only the starch is used for ethanol

- DDGS displaces corn and soybean meal

- Corn yields are three times soybean yields

• 16% of net corn acres are used for ethanol

2010/2011 Crop Year Corn Acreage



Source: Monsanto

America's livestock industry has been trying to cripple the RFS since it was passed into law. This is because for decades America's livestock industry relied on government-subsidized corn that farmers produced below their production costs. Their strategy appears to be a push to return to the days of cheap subsidized corn with expensive government farm programs. Without government subsidies and without the demand pull from ethanol the end result would be a significant reduction in the corn supply because farmers would stop planting corn. Without the demand of corn for ethanol there would be less corn available.