

THIS WEEK'S *LiveWire* PREVIEW STORY

Local producers, industry officials, lawmakers battle slew of accusations with arsenal of cold, hard facts

by JUSTIN R. LESSMAN
Publisher

Area corn growers are fighting a war.

It is a war of words, being waged in local coffee shops, on the pages of major metro daily newspapers and magazines, on the airwaves of major media outlets and in legislative chambers across the nation.

It is a bitter battle, one backed with data but infused with emotion, one capable of turning historical allies against one another and uniting former adversaries, one with the power to pit rural against urban, lawmaker against political party and upstart industry against industrial stalwart.

It is the war on ethanol. And south-central Minnesota is caught right in the middle of it.

Turning of the tables

The battle began quickly, unexpectedly, nearly overnight — almost in the same fashion as the growth of the ethanol industry itself.

As recently as a year ago, ethanol was the nation's darling. President George W. Bush touted the technology in his State of the Union Address and called for expanded funding and support of the industry. Lawmakers at the federal and state levels embraced ethanol as America's best immediate means of reducing the nation's dependence on foreign oil. Environmentalists found in ethanol common ground with agriculturalists, suddenly propelling the former into mainstream America alongside the latter.

Locally, enterprising agribusinessmen and women saw ethanol as a ripe economic opportunity. Corn producers saw ethanol as a viable way to add value to their historically undervalued commodity.

Plants were built, including ones in Bingham Lake, Heron Lake and Superior, Iowa. Jobs were created — between 35 and 50 each at Heron Lake BioEnergy, Poet-Bingham Lake and Green Plains Renewable Energy-Superior. Corn increased in value from a stagnant buck-plus to more than \$7.50 per bushel, putting much-needed dollars in the pockets of southern Minnesota's too-long suffering farmers.

Then, the tables turned. Urbanites became restless with soaring fuel prices, even as their tax dollars continued to help subsidize the still-infant ethanol industry. They became suspicious as their once-booming economy started to stagnate, reducing the value of their home and the size of their wage increases, even as agriculture thrived. And they became downright upset as they watched food costs soar — \$4 milk? \$5 corn flakes?

At precisely the same time, the mass media began pointing fingers at ethanol, seizing upon public unrest and questioning — really, for the first time — the previously touted benefits of the corn-based fuel.

Suddenly, ethanol went from national darling to scapegoat.

And local and state producers, lawmakers and industry officials have been fighting back ever since.

"That was really the first time we had ever seen an apprehension to ethanol," said state Rep. Doug Magnus, a Republican corn producer from rural Slayton, whose district covers corn ground used to fuel the Heron Lake BioEnergy plant in northwestern Jackson County. "There was the fuel concern, the food concern, even concern about the use of water. All these concerns were pointed at ethanol suddenly, and we've been fighting this ever since."

Debunking the food-vs.-fuel debate

Corn is not the reason for skyrocketing food prices, local growers, ethanol producers and lawmakers say. And they have facts to back their claims.

Following is how much of the price of food corn is responsible for as for January 2008:

Corn contributes 13 cents to the cost of a gallon of milk.

Corn contributes 18 cents to the cost of a quarter-pound hamburger and 31 cents to the cost of a pork chop.

One liter of soda pop contains 3.5 cents of corn-based sweetener.

Typical morning cereal contains 11 cents worth of corn.

Around 28 cents worth of corn goes into the production of a dozen eggs.

WAR ON ETHANOL

PART I OF A TWO-PART SERIES

This week: Fighting back with facts

Next week: Fighting back with bucks



Illustration by Vicki Beckendorf

Fighting back with facts

"The ethanol industry has taken the blame for a lot of things," said Gene Hugoson, head of Minnesota's Department of Agriculture, who visited Heron Lake BioEnergy earlier this year as the 50-million-gallon-per-year plant celebrated a full year of production. "The truth is it's not the truth."

Take fuel prices, for example, said U.S. Rep. Steve King, a Storm Lake, Iowa, Republican who represents the top-ethanol producing congressional district in the nation, a district that includes the new Superior ethanol plant just south of the Jackson County border.

"Ethanol, biodiesel, renewable fuel has kept energy prices low by comparison," he said, "a lot more than food prices, which have gone up almost exponentially. Don't let them ever push that argument at you. People who are opposing ethanol are getting bolder every day and we need to have accurate data as our ammo."

And what of those food prices? Is ethanol to blame for that \$4 gallon of milk or \$5 box of corn flakes?

Nope, say King and others. "Last year, more corn was raised in America than ever before," King said. "And we also exported more corn than ever before. The fact is there was more corn left for domestic food last year than the historical average."

The food-vs.-fuel debate has been blown way out of proportion.

Roger Moore, head of the Minnesota Corn Growers Association, said he gets frustrated with media reports that point to ethanol as the culprit for high food prices. "We seem to be taking all the blame for rising food prices," he

Plant	Open date	Employees	Annual production
POET Biorrefining Bingham Lake	1997	40	35 million gallons
HERON LAKE BIOENERGY Heron Lake	2007	50	50 million gallons
GPPE Green Plains Renewable Energy Superior, Iowa	2008	35-plus	50 million gallons

said. "Just the opposite is true."

Minnesota state Sen. Jim Vickerman, a DFL corn producer from rural Tracy, agrees.

"I'm sick and tired of hearing about that," he said. "Ethanol is not raising the price of food." Instead, Vickerman blames the increasing costs of inputs, exports and "everything else."

"As far as I'm concerned, ethanol is the name of the game," he said.

And don't try to put the argument made by some in-state metropolitan daily newspapers earlier this year that ethanol plants may contribute to the draining of southern Minnesota aquifers past Vickerman. He won't buy it.

"There is more water used on the golf courses in Minneapolis and St. Paul than from all the ethanol plants in my district, which includes Heron Lake," he said. "And that's a fact."

Jealous finger-pointing?

So what's behind the anti-ethanol sentiment?

Some locals think it just boils down to plain, old jealousy. Take Poet in Bingham Lake, for example, the area's longest-established plant.

Today's wildly successful 35-million-gallon-per-year facility, which prides itself on efficiency and a developing new technology involving extraction of ethanol out of not only the kernel, but the cob itself, started two decades ago as a desire on the part of area farmers — including a number in Jackson County — to add value to a long undervalued commodity.

The same is true of the newly

opened GPPE plant in Superior.

"We think of the dollars that were risked, yes," said King, "but today look at the markets we have created for a commodity most of us have worked our entire lives to increase the value of. Our object all those years ago was to get more dollars per acre. Today we are doing that."

It's happening, King said, because producers and agribusinessmen and women in southern Minnesota and northern Iowa have built their plants upon a strategically sound business plan.

"This concept of producer-ownership is the right business model," he said. "The owners of the plant are able to raise their grain, sell it here for more money, then come back and get distillers dry grain to feed their livestock," he said. "In the 1980s, we were taking our value right out of the commodity. Today, it is clear this value-added business model is the right answer for us."

This is the region that receives the value for that product. This is an example of hope.

King and others said nobody really took much interest in the economic stability and growth of rural America as a result of ethanol initially, as the rest of the country was riding high on stocks, credit and real estate. Until, that is, those things started to come crashing down.

Moore said those struggling folks started

to look around at others in an attempt to ease their pain. But when they saw agriculture still thriving in the midst of urban economic tough times, the fingers started to point at much of the reason for that success — ethanol.

"I think we can take comfort in the fact there is a target on our backs now because of our success," Moore said.

Wayne Hoovestol, chief executive officer of GPPE and a man who has worked in the ethanol industry for the past decade, said blaming ethanol out of jealousy is misguided.

"I see all this negative news on ethanol lately, and then I come into communities like Superior and see an awful lot of money in support of our agriculture and our rural communities," he said. "That's what matters."

Or interest group smear campaign?

Comparing apples to apples on water usage

The argument that local ethanol plants are draining southern Minnesota aquifers is a lie, say local corn producers, industry leaders and lawmakers.

Consider the following data concerning the amount of water required to produce or process various goods:

Item	Amount of water required
1 gallon ethanol	3 gallons water
1 pound hamburger	4 gallons water
1 can fruit/vegetables	9.3 gallons water
1 chicken	11.6 gallons water
1 pound plastic	24 gallons water
1 gallon gasoline	41.5 gallons water
1 pound paper	100 gallons water
1 Sunday newspaper	280 gallons water
1 tire	518 gallons water
1 barrel beer	1,500 gallons water

Source: Don Hofstrand, Iowa State University Extension Service.

While some blame the war on ethanol on jealousy, others have produced evidence of more sinister underpinnings.

Two documents posted on U.S. Sen. Charles Grassley's congressional Web site blame the anti-ethanol mass media effort to link ethanol to today's climbing food prices on a public relations firm hired by the Grocery Manufacturers Association. Grassley, an Iowa Republican, even testified to his fellow U.S. Senators that he had proof the association of more than 300 food and beverage makers and marketers paid a media-savvy firm hundreds of thousands of dollars to pitch their smear campaign to the nation's so-called "elite" opinion shapers, primarily those in the mass media.

The seed was planted, Grassley said, and with the eager consumption of the claim by restless urbanites fed up with high food prices, the idea took root.

Grassley's case makes perfect sense to Robert and Jean Ferguson of Heron Lake BioEnergy, who have researched the issue themselves, and they say they have been spreading word of the falsity of the campaign to everyone they can.

"The smear campaign on the part of the grocery industry with regard to the impact on the industry is false," Jean Ferguson said.

'The right thing'

Moore praised the Fergusons for actively defending the ethanol industry and said the only way to win the war on ethanol is to fight it.

"When you hear false information, stand up and defend the industry," he said.

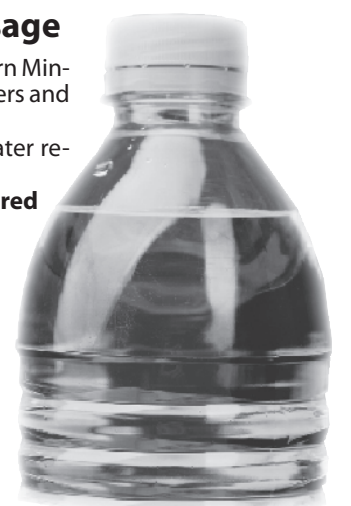
Ron Fagen, whose company has constructed around 100 ethanol plants across the Midwest — all of which are "still open and still profitable," even in the midst of anti-ethanol sentiment — said producers, lawmakers and industry officials in southern Minnesota, northern Iowa and beyond have to defend the ethanol industry, what he termed "one of the best things that has happened to the farming community since the invention of the combine."

"We, here in the Midwest, need to do our part," he said.

Magnus urged industry proponents to "fight this every day," adding he believed the "debate over ethanol will cut itself out and we'll find a balance." But, he added, "They can be sure, we ain't going away."

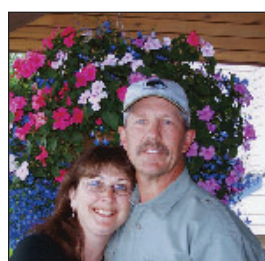
Brian Peterson, GPPE's executive vice president and an Iowa corn producer himself, said he agreed with the defiant tone struck by Magnus. If farmers believe in ethanol, if plant workers believe in ethanol, if knowledgeable and trustworthy lawmakers believe in ethanol, the rest of the nation will return to believing in ethanol, he said.

"This is the right thing to do now and the right thing to do four years from now," he said. "This is the right thing for our area, the right thing for our state, the right thing for our country and the right thing for our future."



Inside...

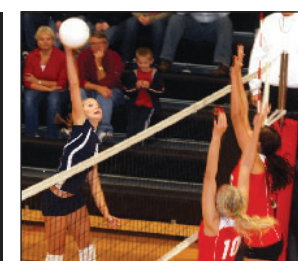
Record	A2	Public Notice/	
News	A3, A10	Classified	A8-A9
Opinion	A4	Sports	B1-B2
Faith/News	A6	Education	B3
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Oostenink benefit Nov. 16

A benefit is planned for Sunday to cover expenses Laure Oostenink has had since being diagnosed with cancer last year. The benefit is at the Jackson American Legion at 1 p.m.

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Three Huskies honored

Three Jackson County Central volleyball players were named to the all-conference team, which was announced Monday.

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