Why biofuels? First and foremost simple economics.

- Petroleum Prices

- Why biofuels affect the economy:
  - Increased economic activity (GDP, income, jobs)
  - Reduced dependence on imported petroleum products and smaller dollar outflows
  - Higher farm prices and improved farm income
  - Potentially higher food prices

Biofuels represents a new and growing manufacturing sector industry.

- Ethanol production has increased five-fold in the past 15 years.
- 115 ethanol plants currently have annual capacity of 5.7 billion gallons.
- Biodiesel production has grown from less than 500,000 gallons to more than 100 MGY last year.

The Bush proposal for 35 billion gallons of alternative fuels by 2017 will stimulate another new industry – cellulose.
The ethanol industry provides a significant contribution to the American economy. In 2006 the ethanol industry:

- Spent $6.7 billion on grain, other inputs, goods and services to produce 4.9 billion gallons of ethanol. An additional $410 million was spent to transport ethanol from the plant to the terminal where it is blended with gasoline.
- Added $23.1 billion to the nation’s GDP.
- Supported the creation of more than 163,000 jobs and $6.7 billion in household income.
- Generated $2.7 billion in Federal revenue and $2.2 billion in State and local government revenue. (The VEETC cost $2.5 billion)

The biodiesel industry also provides a positive contribution to the economy. In 2006 the biodiesel industry:

- Spent $383 million on feedstocks, other inputs, goods and services to produce biodiesel.
- Added $793 million to the nation’s GDP.
- Supported the creation of more than 7,900 jobs and $31 million in household income.
- Generated $121 million in Federal revenue and $95 million in State and local government revenue.

Where does the economic impact come from?

- Spending on goods and services for construction and annual operations.
  - Every dollar spent represents the purchase of final demand from other industries.
  - These dollars circulate through the local and national economy several times.
  - The effects are measured by applying industry-specific impact multipliers for the relevant supplying industries.

Biofuels enhance our energy security.

- In 2006 ethanol and biodiesel displaced 208 million barrels of crude oil valued at $12 billion.
- Biofuels kept this $12 billion in the American economy.
- Without biofuels our dependence on imported crude would have been nearly 70% compared to 66%.

Biofuels demand has pushed corn prices to the highest levels since 1995.

- Ethanol demand now accounts for 18% of corn use and will soon surpass exports as the second largest demand component.
- Stocks are at their lowest level since 1995.
- Farmers will plant 90 million acres of corn this Spring.

Biofuels will support market driven increases in farm income.

- Cash receipts for both crop and livestock producers will benefit from higher commodity prices.
- Government payments will decline saving taxpayer dollars.
- Cash expenses will increase due to increased plantings.
- Farm communities and supplier industries will directly benefit.
However, what is good for grain farmers is not always good for livestock producers.

- Sharply higher corn and soybean prices have increased production costs for livestock and poultry producers and dairymen.
- A strong economy is supporting higher market prices but profitability is deteriorating.
- Beef and dairy producers are being hit by a combination of high forage/alfalfa and higher corn and soybean prices
- Red meat and poultry production is likely to continue to expand, but at slower rates.

Higher feed prices have not yet resulted in higher consumer food prices.

In conclusion …

- Biofuels represent the development of a new and vibrant manufacturing sector industry.
- Increased biofuels production expands the economy, creates jobs, and generates additional tax revenue. The biofuels industry more than pays for itself.
- Biofuels enhance U.S. energy security.
- Higher prices provide market support for farm income.
- American consumers will continue to enjoy the lowest food prices of any developed economy.

Finally, this just could happen!