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(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2003-04

(session year)

Assembly

(Assembly, Senate or Joint)

Committee on Agriculture...

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
 - (**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
 - (**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

* Contents organized for archiving by: Stefanie Rose (LRB) (August 2012)



Wisconsin Ethanol Producers Association

11010 161st Street

Chippewa Falls, WI 54729

Telephone: 715/382-5268

Fax: 715/382-5325

e-mail: bonanza@execpc.com

MAR 31 2004

TESTIMONY BY BOB SATHER- WISCONSIN ETHANOL PRODUCERS ASSOCIATION & CHAIR OF ACE ETHANOL ANALYSIS AND RESPONSE TO A NEWLY PROPOSED STATE ETHANOL INCENTIVE BILL

The Current Ethanol Incentive Legislation:

- It is a 5 year program to expire June 30, 2006 and administered by DATCP
- Payments are 20 cents per gallon up 15 million gallons of ethanol produced for a maximum incentive grant of 3 million dollars
- If there are insufficient funds the incentive funds are to be prorated to eligible producers
- DOT is to determine whether transportation aids are decreased because of ethanol sales and if so payments will not be made

Proposed Ethanol Incentive Bill

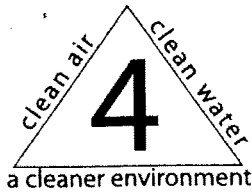
- It is an 8 year program for a period of 96 months beginning July 1, 2005 and administered by DATCP
- It creates a sum sufficient appropriation for payments to producers
- It eliminates prorating payments to producers
- It establishes a contract between DATCP and producers for purposes of payments
- It reduces the per- gallon payment from 20 cents per gallon to 10 cents per-gallon beginning July 1, 2005
- It establishes producer eligibility upon producing 12,500,000 gallons of ethanol
- It has a scheduled payment structure as follows:
 1. First and second year of payments of \$1,250,000 each year
 2. Third and fourth year of payments of \$1,000,000 each year
 3. Fifth and sixth year of payments of \$750,000 each year
 4. Seventh and eighth year of payments of \$500,000 each year

GENERAL RESPONSE

Our Association conceptually supports the bill regarding: (1) A guaranteed payment as to satisfy the debt portion of building an ethanol plant lenders demand consistency and some certainty; (2) The eight year duration of the period of eligibility seems sufficient and reasonably competitive with surrounding states; (3) Graduated payments.

Our Association needs more time to study the bill before making definitive recommendations. However, we do feel that there could be limited tweaking regarding becoming an eligible producer for payments upon producing only 12,500,000 gallons of ethanol, perhaps a cap should be placed on the number of eligible plants and adjustments to the yearly phase down of the payment schedule.

I wish to thank the committee for this opportunity and I remain available to receive your questions.



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A PERSPECTIVE FOR A STATE ETHANOL INCENTIVE PROGRAM

Ostensibly, there are three ways to solve the State budget deficit:

1. Reduce spending
2. Raise taxes
3. Grow the State Economy

It is suggested that state would be better served by being a partner with the private sector when the state is the benefactor of an economic value added outcome. The state ethanol incentive program does this.

The Purpose of Ethanol is to:

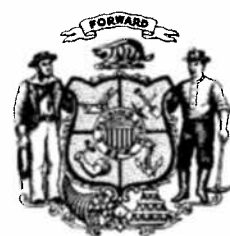
1. Increase the octane of gasoline; the alternative is MTBE (Methyl Tertiary Butyl Ether which pollutes ground water and is a carcinogen)
2. Reduce air pollution
3. Reduce dependence on foreign oil

The following is the case of how the state incentive program will provide value added economic growth to the state: (The data is from "The Economic Impacts of Ethanol Production in Wisconsin, Don Wichert, Chief Energy Resources Section, DOA, 2000)

- For every dollar that the state invests in the incentive program the state will receive about \$3 in return in direct taxes before the state disburses a single dollar.
- For every 100 million gallons of ethanol produced it will:
 - a. Create 23,600 new jobs
 - b. Provide 2 billion dollars in economic out-put to the state
 - c. Provide 450 million dollars in earnings
 - d. Increase farm and agribusiness earnings to a long standing economically depressed industry.
 - e. Provide a byproduct, distillers grain, which is a high protein cattle feed
 - f. The state yearly exports about 200 million bushels of corn. Each 100 million gallons of ethanol requires 38 million bushels of corn
 - g. Reduce the state import of ethanol
 - h. Reduces dependency on foreign oil



WISCONSIN STATE LEGISLATURE



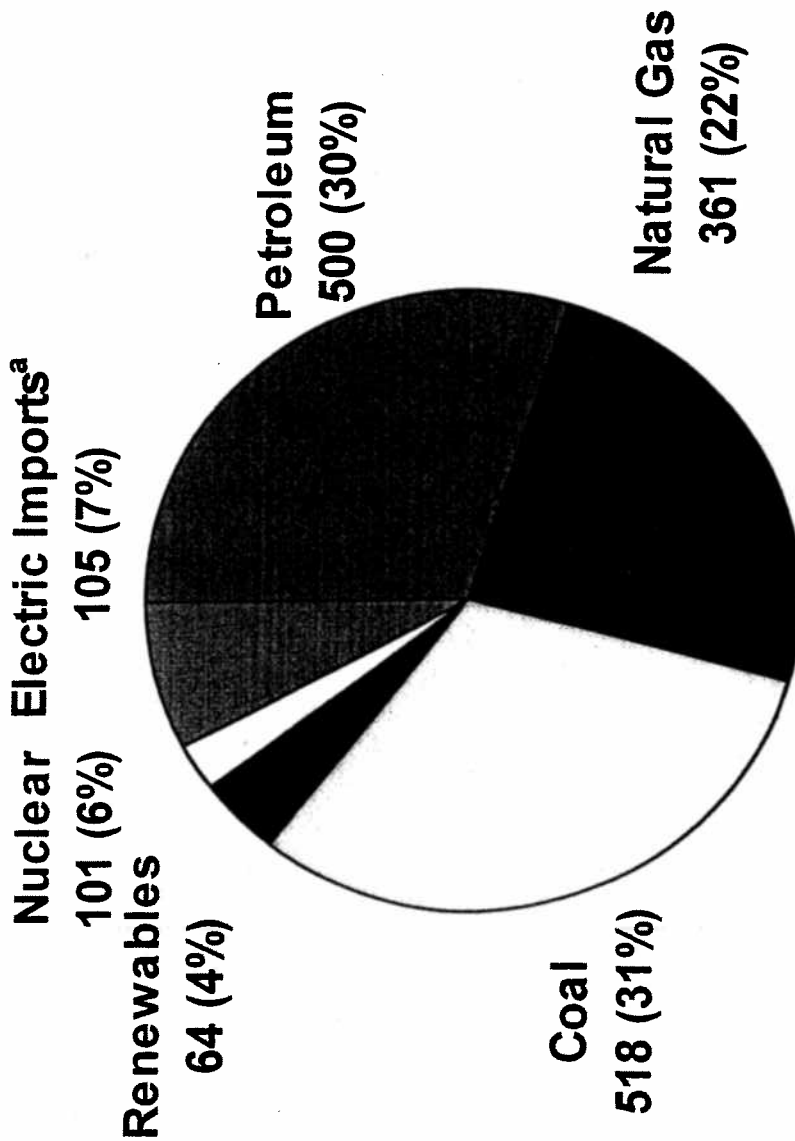
***The Economic Impacts
of Ethanol Production
in Wisconsin***

**Don Wichert, Chief
Energy Resources Section**

**Wisconsin Energy Markets Bureau
Department of Administration**

September 2000

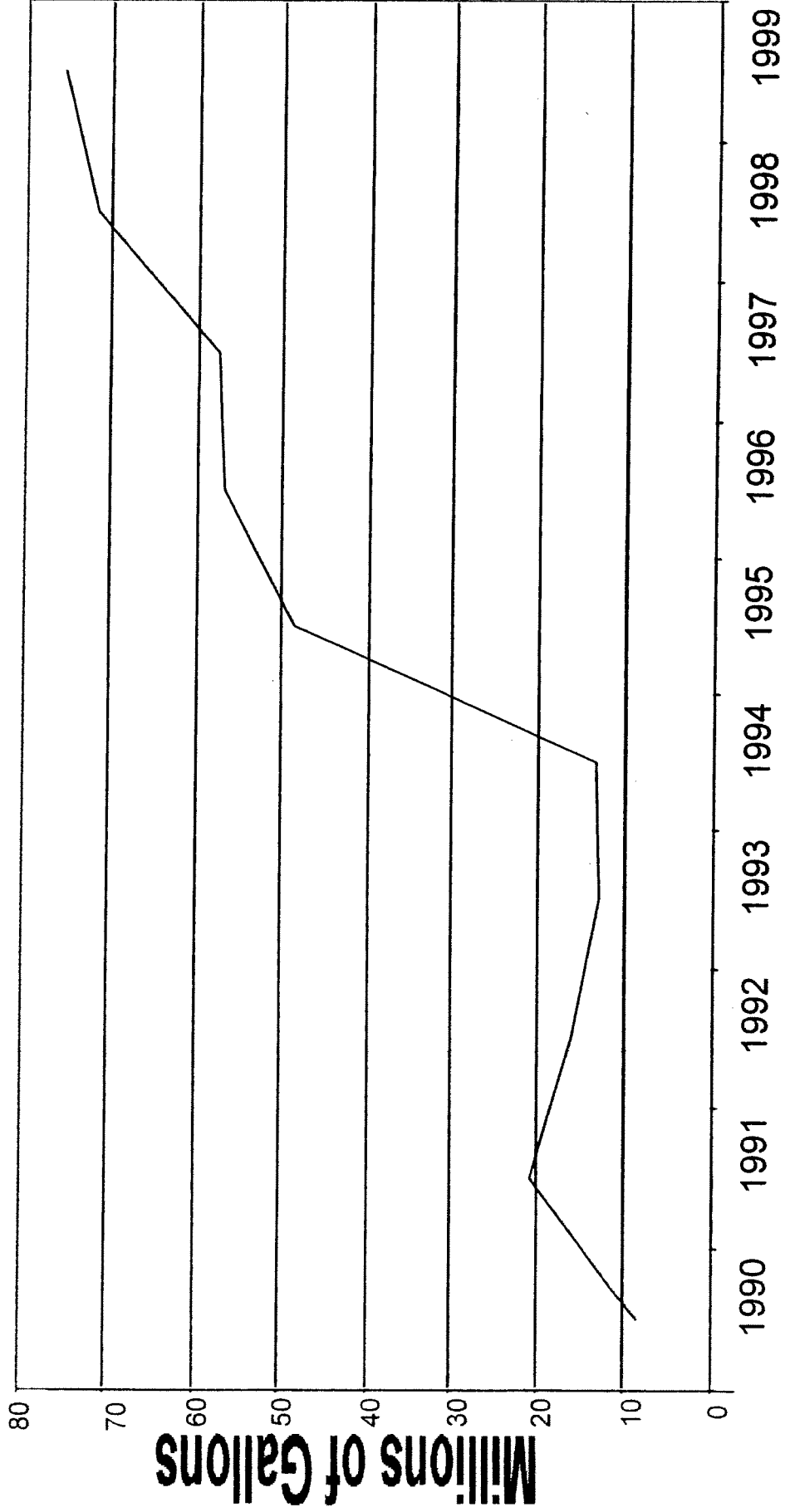
1999 Wisconsin Energy Use



Ethanol Impacts

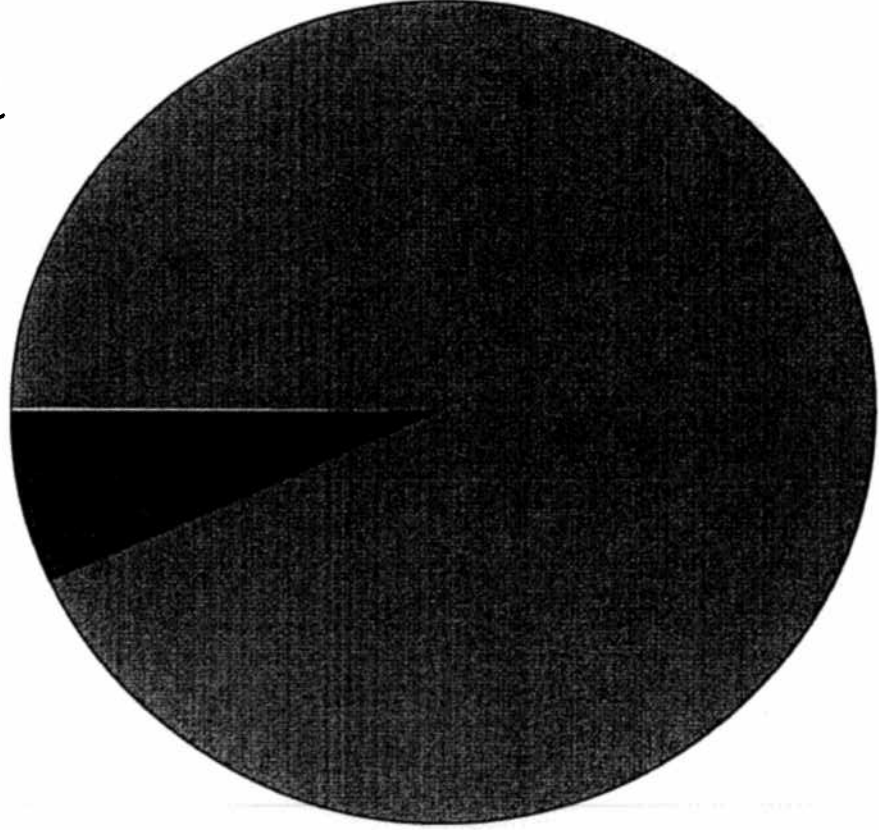
- ◆ **100 Million Gallons per Year Produced in Wisconsin Creates:**
 - ◆ **23,600 Jobs**
 - ◆ **\$2 Billion in Output**
 - ◆ **\$450 Million in Earnings**
 - ◆ **\$32 Million in State Taxes**
- ◆ **Displaces \$1.3 Billion in Imported Oil Costs**
- ◆ **Increased Farm Income**

WISCONSIN ETHANOL USE



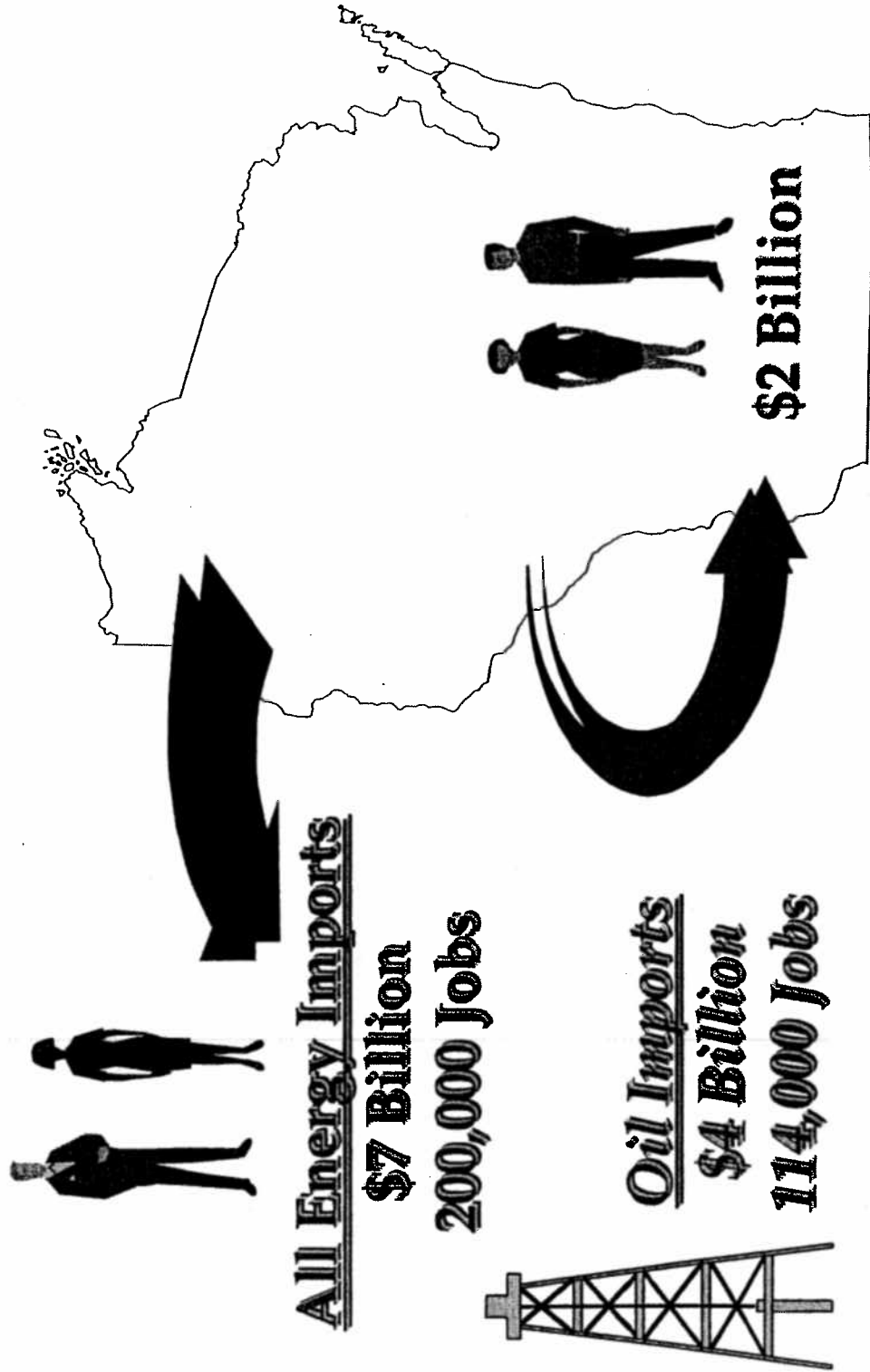
WISCONSIN'S 1999 ETHANOL USE IN RFG AND GASOHOL

Ethanol in Gasohol (8 million gallons)



Ethanol in RFG
(67 million gallons)

Wisconsin's Energy Dollar and Job Drain

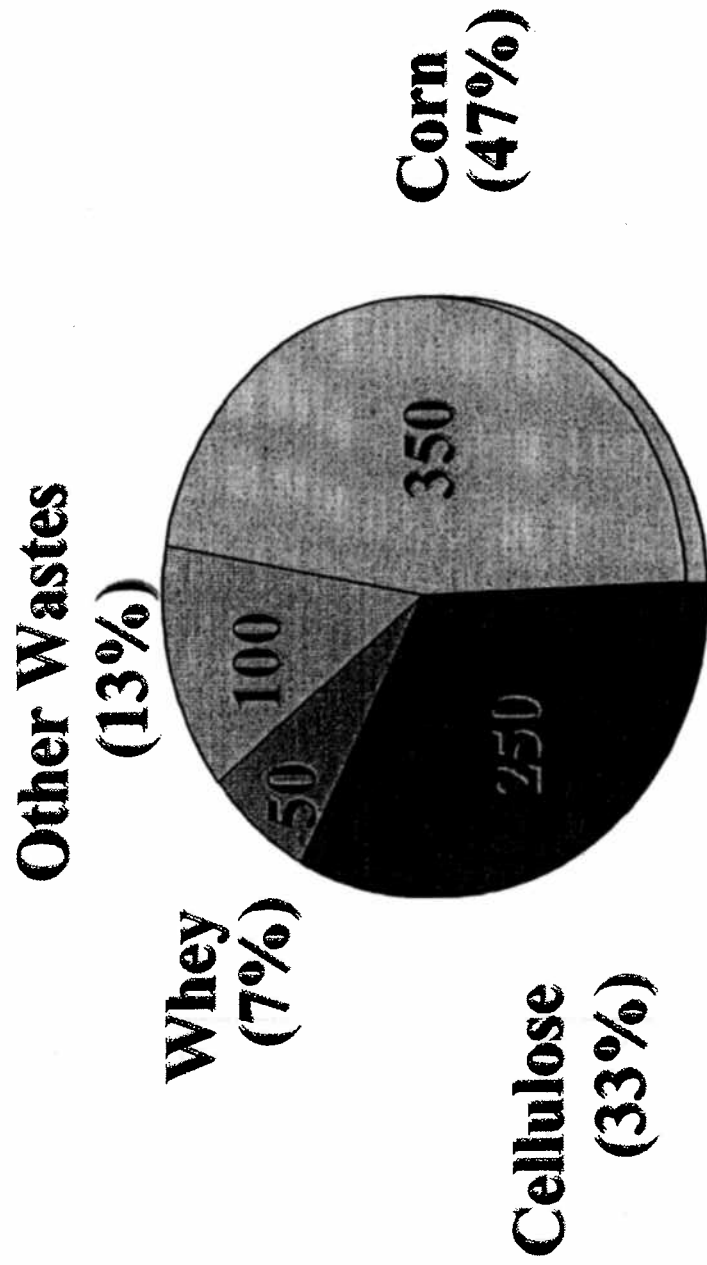


Economic Impact

Methodology

- ◆ **Project Wisconsin Ethanol Production**
- ◆ **Identify Ethanol Production Costs**
- ◆ **Apply Wisconsin Job, Earnings and Output Multipliers to Affected Industries**

Wisconsin's Ethanol Production Potential



Total: 750 Million Gallons per Year

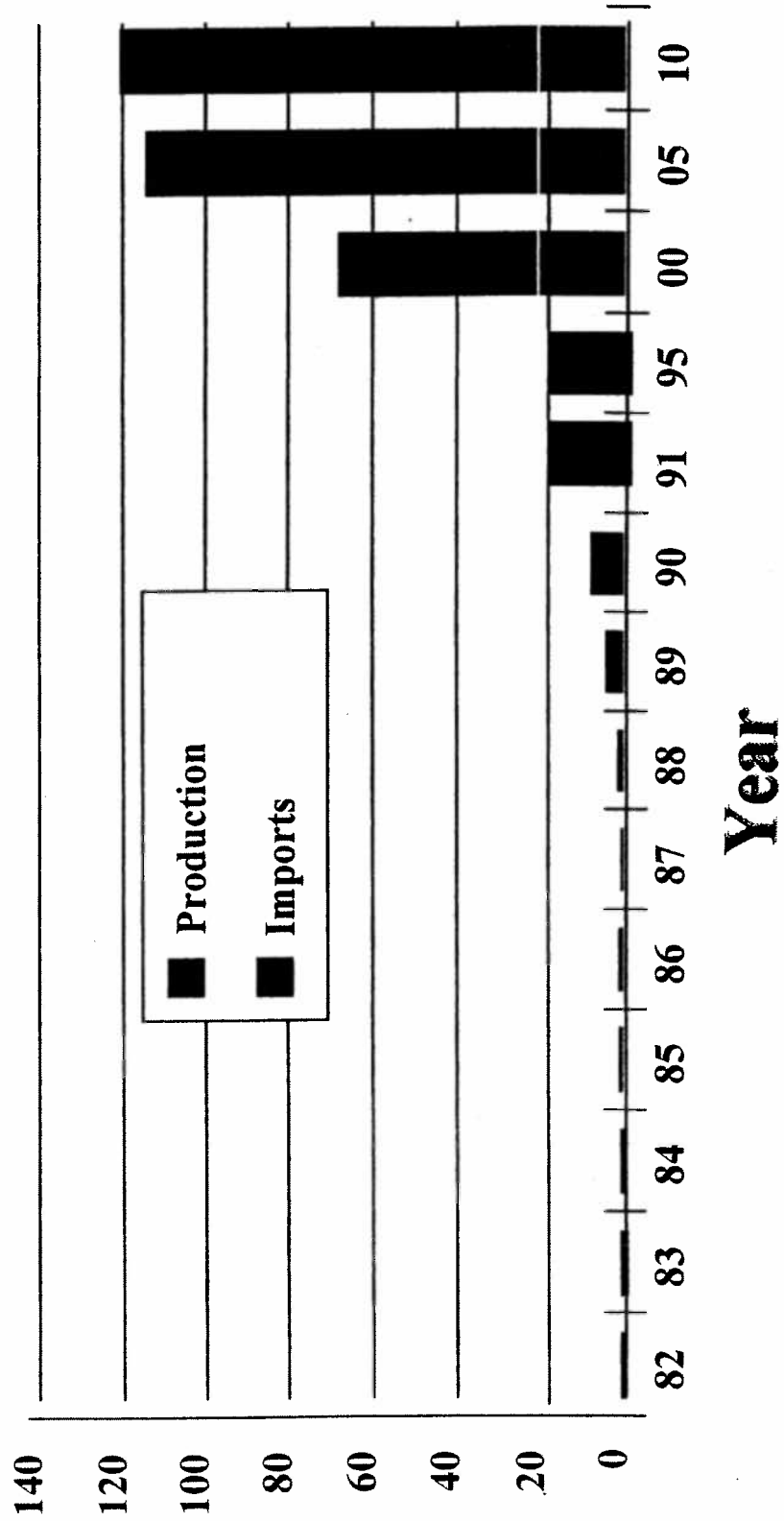
Ethanol Production

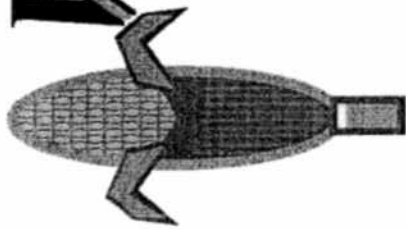
Assumptions

- ◆ **Two 40 Million Gallon per Year Corn Wet Milling Plants**
- ◆ **Ten 2 Million Gallon per Year Whey to Ethanol Plants**
- ◆ **Total = 100 Million Gal. per Year**

WI Ethanol Imports and Projected Production

Millions of Gallons





Where would corn come from?

**Crop Substitution
(Soybeans)**



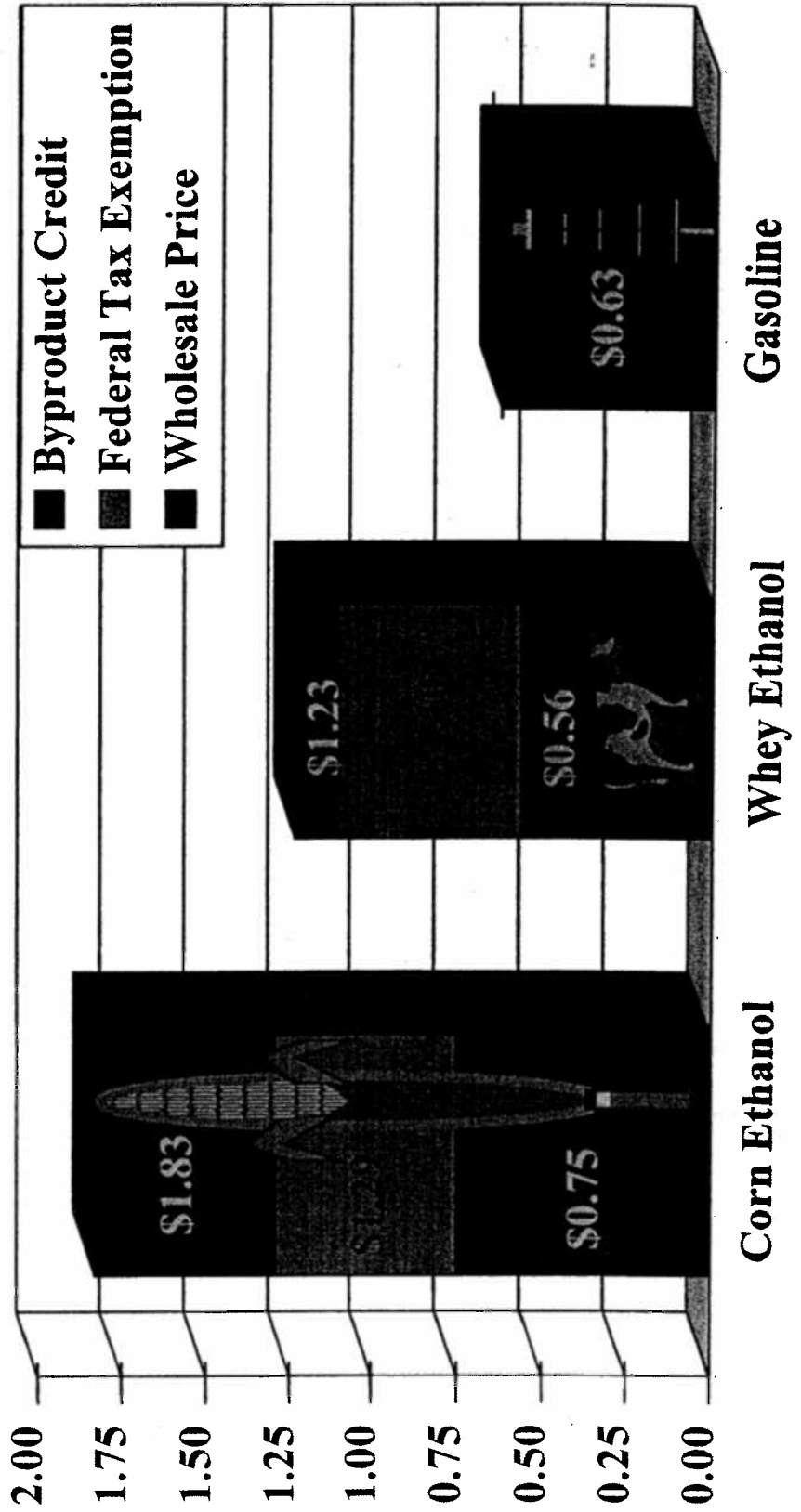
**Idle
Cropland**

**Corn Exports
and Surplus**

**80 Million Gallons of Ethanol
32 Million Bushels of Corn
270,000 Acres**

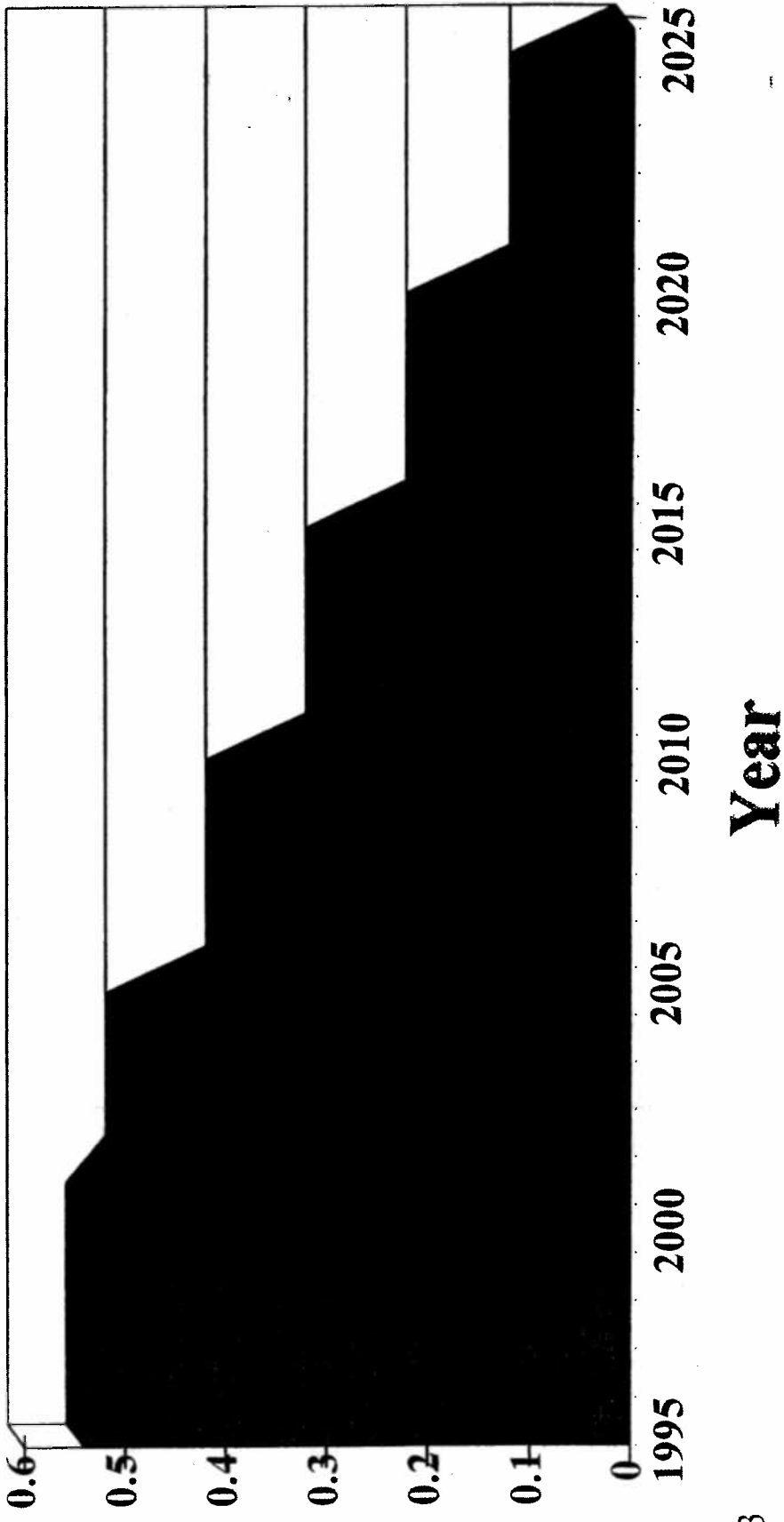
The Cost of Producing Ethanol and Gasoline

Dollars per Gallon



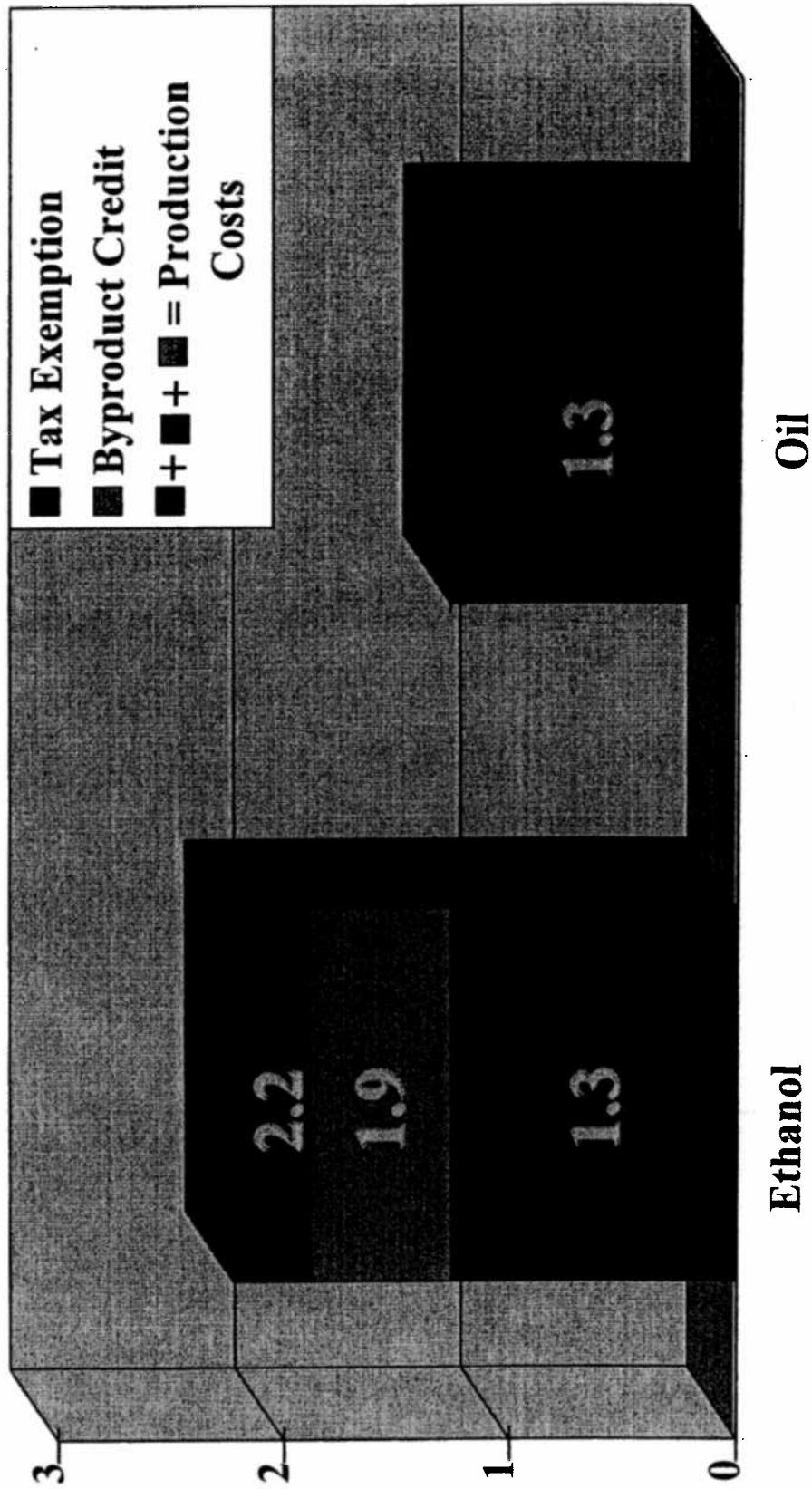
Assumed Phase-out of Ethanol Subsidy

\$ per Gallon



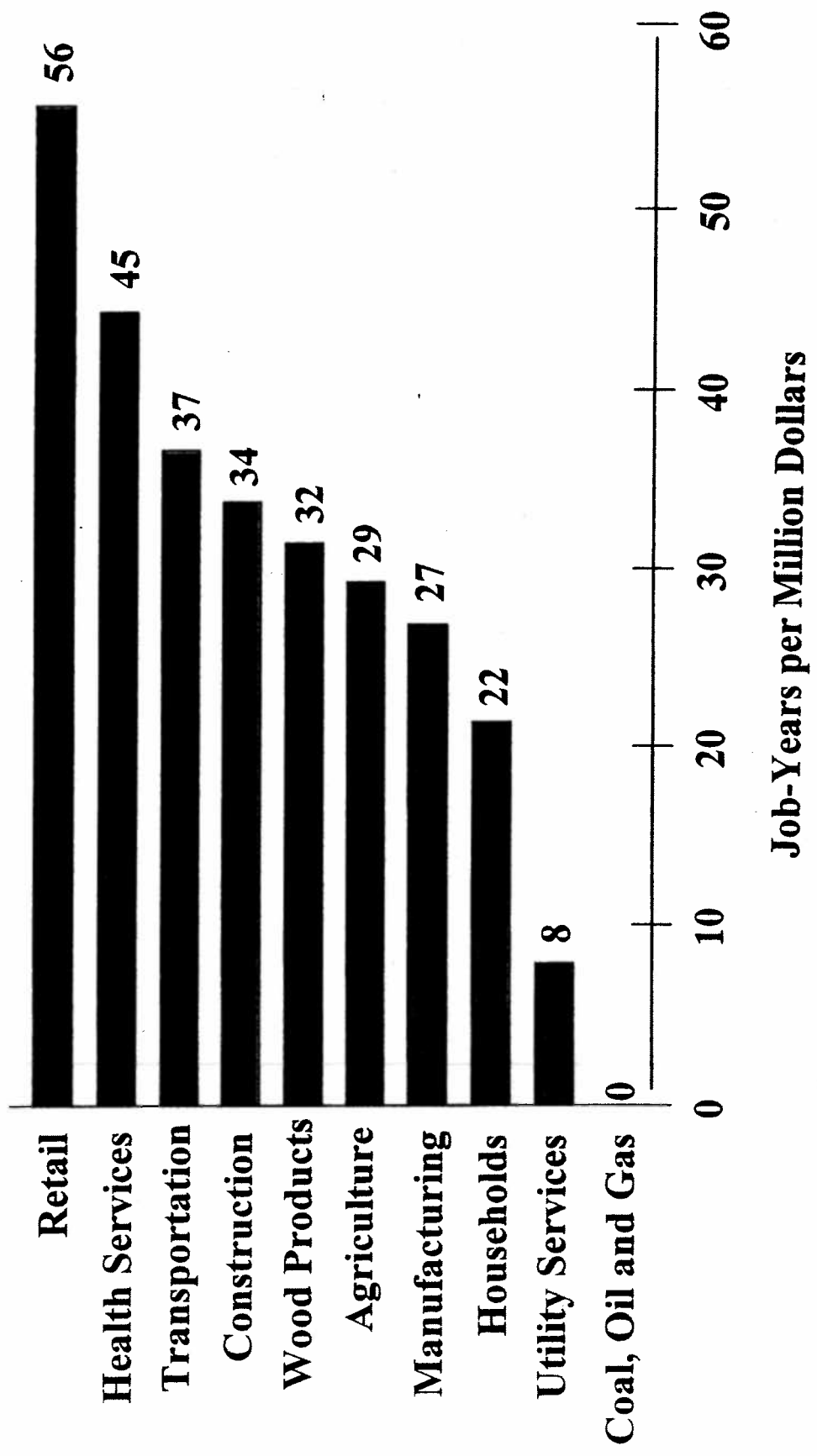
Lifecycle Costs

Billion (Constant) Dollars



Wisconsin Job Multipliers

(Job-Years per Million Dollars)



Scope of Jobs Created

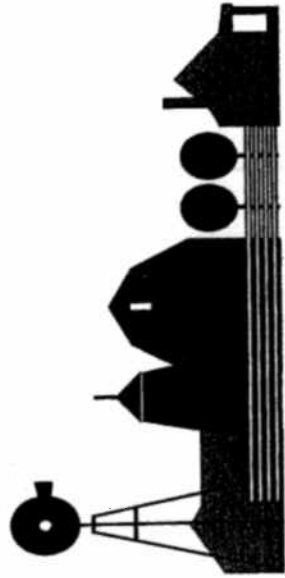
- ◆ ***Direct*** ----- **On-Site**
- ◆ ***Indirect*** ----- **Supplier**
- ◆ ***Induced*** ----- **Respending of
Personal Income**

Ethanol Impacts

- ◆ **23,600 Jobs**
- ◆ **\$2 Billion in Output**
- ◆ **\$450 Million in Earnings**
- ◆ **\$32 Million in State Taxes**
- ◆ **Displaces \$1.3 Billion in Imported Oil Costs**

Wisconsin Ethanol Jobs

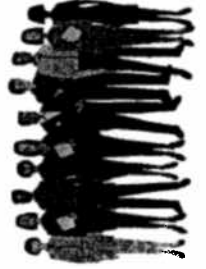
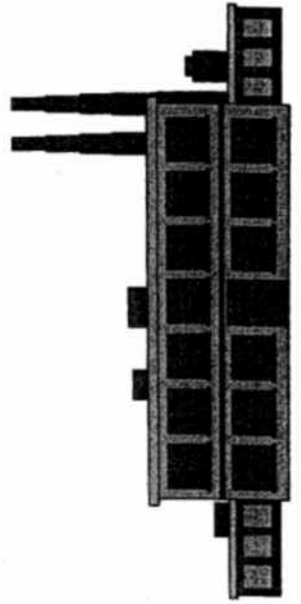
Agriculture



**Feedstock and
Ethanol Transport**

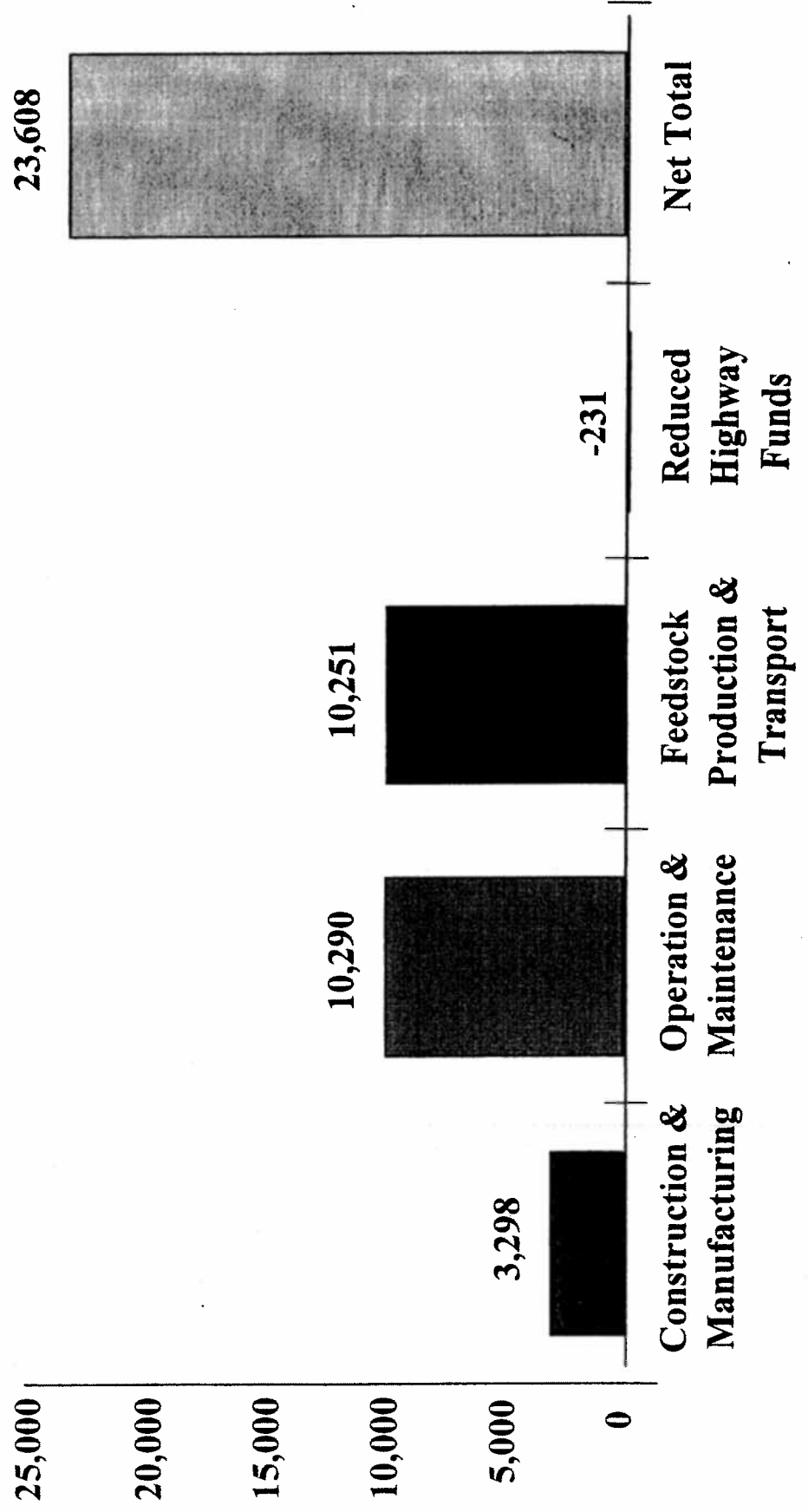


**Plant Construction,
Manufacturing and Operation**

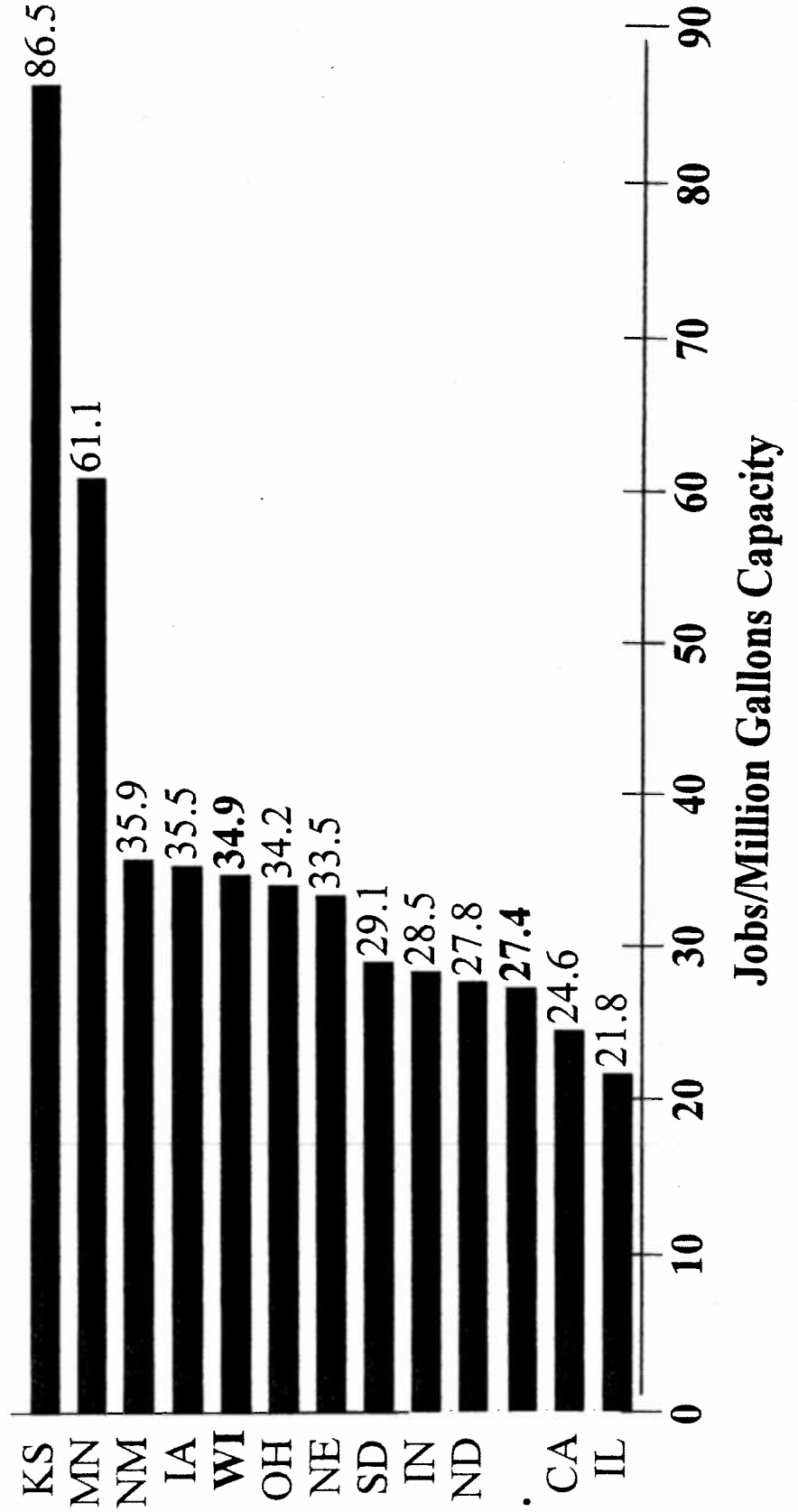


Ethanol Job Impacts (Lifetime)

Job-Years



Full-Time Jobs Created from Operating Ethanol Plants, by State



Limitations

- ◆ **Impact on Other Crops and Livestock**
- ◆ **New Technologies and Resources**
- ◆ **Future of Federal Tax Exemption**
- ◆ **Guaranteed Markets**

Ethanol Policy Issues

- ◆ **Capturing Benefits of Ethanol**
- ◆ **Seizing Windows of Opportunity**
- ◆ **Overcoming Market Barriers**
- ◆ **Resolving Environmental Conflicts**

Policy Action

◆ **Multifaceted Approach**

◆ **Options**

- **Information**
- **Regulation/Legislation**
- **Research**
- **Incentives**
- **Government Leadership**
- **Public/Private Partnerships**

Wisconsin's Ethanol Bill

◆ **Signed by Gov. Thompson on April 11, 2000**

◆ **Key Elements**

- ◆ **\$3 million per year available**
- ◆ **20 cents a gallon per year production incentive**
- ◆ **Plant must produce 10 million gallons per year**
- ◆ **Maximum per plant is \$3 million**
- ◆ **Funds may be prorated to multiple plants**
- ◆ **Sunsets in 5 years**

The Ethanol Tug of War



Externalities
Jobs
Environment

Highway Funds
Subsidies
Food v. Fuel

