

**Senator Chuck Grassley's Farm/Biofuels Tour with  
Gina McCarthy, assistant administrator of EPA's Office of Air and Radiation  
Margo Oge, director of EPA's Office of Transportation and Air Quality**

**Talking Points for**

**Walt Wendland  
Golden Grain Energy – Mason City, IA  
Homeland Energy Solutions – Lawler, IA**

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My name is Walt Wendland and to my knowledge; the Wendlands have been farming in the US since they arrived in the mid 1800s. My son now farms the home place near Fredericksburg, Iowa. I was a founding board member of the locally-owned ethanol plant, Golden Grain Energy, built near Mason City. I resigned from the Board to become CEO. More recently, Golden Grain and I have been contracted to share management services to a second 100-plus million gallon ethanol plant, Homeland Energy Solutions near Lawler.

I want to thank you for agreeing to come to Iowa and to see farms and biorefineries first-hand. Quite frankly, we believe some of the decisions made in DC over the next 6 months will set the tone for agriculture and biofuels for the next decade – and we are a bit worried.

I have two main points I want to leave you with today. First, knowing farming and the biofuels industry as I do, the entire theory of international indirect land use does not pass the smell test. Second, the academics and numbers crunchers in DC simply can not keep up with the dynamic innovation going on in the renewables sector.

Please allow me to expand on both of these points. But before I do, let me explain why this debate is so important and so frustrating. If outdated data, incorrect assumptions and not-quite-ready for prime time models lead to public policy decisions that place unnecessary road blocks to expansion of biofuels production and use, then my investors are hurt, our farmers are hurt, green collar jobs are lost, and energy security is left weakened. But it's more than that.

The whole point of the “indirect land use change” debate is supposedly to prevent unintended consequences – specifically more carbon emissions instead of less. This has been the sole focus of the EPA as far as we here in Iowa can tell. But what about the flip side? If this concern leads to a final RFS2 rule that slows the growth of renewables AND your assumptions prove to be unnecessarily cautious, then the result is less low carbon ethanol replacing gasoline produced from the Canadian tar sands. EPA policy would in fact create the very unintended consequence of higher overall carbon emission that you are supposedly seeking to avoid.

With that thought in mind, let me return to my main points.

With fewer cultivated acres in the U.S., American farmers are still producing the same amount of corn for food, feed, and exports as we did a decade ago. The only difference is that productivity gains from improved farm practices and seed technology have increased yields to the point that we also produce roughly 11 billion gallons of ethanol at the same time. That simple fact alone is enough to undermine the entire international land use change argument – models or no models.

Since 1999, the U.S. ethanol industry has increased production from a little over 1 billion gallons to a pace of over 11 billion gallons annually today. And even during the last few years of very rapid growth, not only is there no sound data to suggest international land use change from biofuels production, the data shows that there has been improvements – like the rate of deforestation in the Amazon has gone down. If there is no evidence of land use change from building 12 billion gallons of ethanol capacity, then how can anyone argue with a straight face that there will be meaningful, let alone massive, land use change from expanding from 12 to the 15 billion gallon cap on corn-based ethanol? That argument should not drive US policy.

We have many concerns about specific assumptions used by EPA in the lifecycle analysis of ethanol, such as future crop yields, ethanol yield per unit of grain/biomass, ethanol plant efficiency, and distillers grains usage. In addition, as someone who has worked with farmers in several foreign countries, there is a complete lack of understanding regarding the ability of world corn production to skyrocket if those farmers are given access to hybrid seeds and even a little fertilizer.

Just as we have concerns with the “macro” theory, there are numerous problems with the “micro” assumptions. Those of us living and breathing this industry every day feel that some in DC are prisoners of old “data sets” that fail to grasp the rapid evolution of farming and biofuels production. Also, the simplistic models fail to take into consideration how literally every ethanol plant has adapted itself to its local environment and community. They may look the same on the outside, but every ethanol plant has optimized its efficiencies and adapted to its area. No two plants are the same, but the models treat us that way.

Over the past five years, the ethanol industry has seen tremendous gains in efficiency and reductions in energy intensity. These improvements are rarely captured in lifecycle analysis models. According to a report by the U.S. Department of Energy’s Laboratory, between 2001 and 2006 our industry became far more efficient:

- Total energy use decreased 22%.
- Water consumption decreased 27%.
- Ethanol yield per bushel increased 7%.
- More than 20% of ethanol producers captured and marketed some portion of their CO<sub>2</sub>.
- A similar report by accounting firm Christianson & Associates found a 14% reduction in natural gas use and a 13% reduction in electricity use between just 2004 and 2007.

Ethanol producers are also innovating new ways to recycle water. Just 10 years ago, roughly 5 gallons of water was needed to process one gallon of ethanol. Today, the average is 3 gallons or less. At GGE we now capture our storm water runoff and use the water in our process to replace a portion of well water needs.

Further, the industry is adopting new technologies that enable producers to maximize the value of their feedstock. For instance, many plants are removing corn oil from the corn kernel on the back end of the ethanol process. The extracted corn oil is then sold as feedstock for biodiesel, sold as feed to the livestock industry, or used for other value added markets.

Not only does corn oil extraction help a producer diversify his product stream, it also helps reduce energy usage by reducing the amount of co-product that needs to be dried. Benefits GGE has seen are:

- Increase revenue by almost 2%
- Helps lower acid requirements used to keep the evaporation system clean.
- Helps keep the DDG driers and duct work cleaner.
- Improves the dryer efficiency and reduce emissions.
- Improves water balance that in turn helps corn conversion to ethanol.

While I have focused on RFS2 and indirect land use change today, I would be remiss to not take this opportunity to urge you to grant the E15 waiver as well. We strongly believe that increasing the amount of ethanol blended into the nation's fuel supply is both scientifically justified and economically prudent. Numerous technical studies focused on determining the effects of mid-level blends have been completed in recent years. The ethanol industry has been working with oil and auto industries and government researchers to advance the science. To date, no "show stoppers" have been identified.

Thirty years ago Iowa helped pioneer the commercial introduction of E10 following EPA approval. Many of the E15 "concerns" were raised back then about E10 – but E10 has been a great success. If the EPA hadn't pushed forward on E10, recognizing that the positive good far outweighed the overstated bad, the U.S. would be more dependent on foreign oil, smog and GHG emissions would be worse and hundreds of thousands of green collar jobs wouldn't exist. Without mid-level blends, the RFS2 goals will not be met and the market signals to rapidly development advanced biofuels will not be sent.

It is important to remember that approving E15 does not mandate it's use – it gives consumers another fuel choice. If some folks, maybe those with small or off-road engines, prefer lower blends, they will have that option. After all, you are in the heart of ethanol country and virtually every gasoline station you drive by today offers consumers both the E10 and the E0 option.

Further, it is clear that EPA has authority to define E12 blends as 'substantially similar' to fuels used in certified motor vehicles, such as E10.

The ethanol industry emerged from a very difficult year back in June. We now have our noses above water. But as we begin to bump up against the practical blend wall, we need mid-level blends like E12 or E15 right away. Without them, I fear the industry could return to red ink.

The next six months in DC may very well determine my livelihood for the next ten years – and I am nervous. I urge you to prevent overly cautious assumptions from unnecessarily restraining the role biofuels can play in reducing carbon emissions. If biofuels are unnecessarily restrained, not only will you cause the unintended consequence of higher overall carbon emissions, but you

will also hamper green collar job creation, reduce our ability to wean ourselves from foreign oil and severely erode farm opportunities. Again, thank you for coming to Iowa and for listening to Iowans who are actually engaged in agriculture and biofuels production. I look forward to answering any questions you may have.