Ethanol Reduces Iowa Gas Prices by \$1.69 Per Gallon

Saves Typical Iowa Family \$2,363 per Year

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JOHNSTON, IA —Without ethanol in the marketplace, pump prices would actually be \$1.69 more per gallon across the Midwest according to a study released by the Center for Agriculture and Rural Development (CARD).

This \$1.69 per gallon reduction adds up to a generous \$2,363 annual savings for a typical Iowa family. This savings could buy:

- Fuel, lodging and fun for an Orlando family vacation
- · 15,753 Diapers
- · 262 movie tickets
- · 39 pairs of athletic shoes

"Bolstering domestic fuel supplies by 10 percent, ethanol reduces demand for high-cost, foreign crude oil," said Lucy Norton, Managing Director of the lowa Renewable Fuels Association (IRFA). "With the average wholesale price of gasoline jumping 30 percent in the last year, ethanol is helping take the sting out of price shock at the pump."

The recently released data is an update to CARD's ongoing fuel price analysis released in 2011. Compared to 2011 data, ethanol has slashed the cost of a gallon of fuel by an additional 32 cents in just one year. The study was commissioned by the Washington, DC-based Renewable Fuels Association (RFA) and is available on CARD's website at:

http://www.card.iastate.edu/publications/synopsis.aspx?id=1166.

"Growth in US ethanol production has added significantly to the volume of fuel available in the US," said Dermot Hayes, ISU professor and one of the authors of the CARD study. "It is as if the US oil refining industry had found a way to extract 10% more gasoline from a barrel of oil. This additional fuel supply has alleviated periodic gasoline shortages that had been caused by limited refinery capacity. It has also changed the relative prices of gasoline and diesel and allowed the US to switch from being a net importer of gasoline to a net exporter. As a result of these changes, US gasoline prices are measurably lower than would otherwise have been the case. This gasoline price impact has been documented in a peer reviewed academic journal and the price dampening effect has increased as ethanol production has grown. This impact is greatest in the regions of the country where ethanol penetration is greatest."

"The greatest contributor to pump prices per gallon is the cost of crude oil according to the Energy Information Administration (EIA)," Norton noted. "Ethanol adds 10 percent to the fuel supply displacing the heart of the problem – high-priced crude oil. In fact, while ethanol is 10 percent of a gallon of gasoline, it accounts for only 5 percent of the pump price."

Iowa is the leader in renewable fuels production. Iowa has 41 ethanol refineries capable of producing nearly 3.7 billion gallons annually. In addition, Iowa has 13 biodiesel facilities with the capacity to produce 320 million gallons annually.

The Iowa Renewable Fuels Association was formed in 2002 to represent the state's liquid renewable fuels industry. The trade group fosters the development and growth of the renewable fuels industry in Iowa through education, promotion, legislation and infrastructure development.

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Editor's note: Attached is a fact sheet explaining the impact of ethanol and crude oil on fuel prices.

For more information, visit the Iowa Renewable Fuels Association website at: www.lowaRFA.org



Bolstering domestic fuel supplies by 10 percent, ethanol reduces demand for high-cost, foreign crude oil. Without ethanol in the marketplace, fuel prices would actually be \$1.69 more per gallon today according to data released by the Center for Agriculture and Rural Development (CARD). As crude oil costs increased last year, ethanol use rose, providing an increased savings of 32 cents per gallon compared to results in a 2011 CARD study.

The \$1.69 per gallon reduction adds up to a sizable \$2,363 savings for the typical Iowa family each year.

What Does the Ethanol Savings Mean to You?

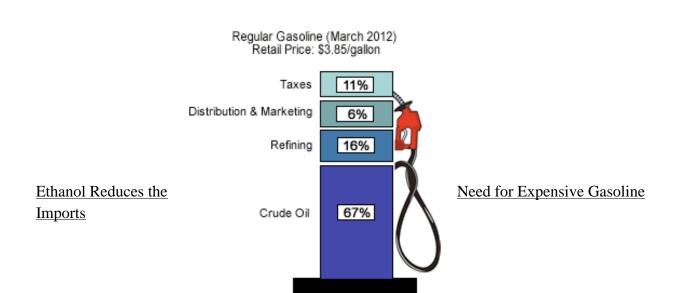
The typical Iowa family could buy:

- Fuel, lodging, and fun for an Orlando family vacation
- 39 pairs of athletic shoes
- 15,753 diapers
- 262 movie tickets
- Dinner for 2 at a restaurant for 30 days



Crude Oil Drives Fuel Prices

According to the Energy Information Administration (EIA), the greatest contributor to gasoline pump prices is crude oil. Ethanol adds 10 percent to the fuel supply displacing the heart of the problem—high priced crude oil. In fact, while ethanol is 10 percent of a gallon of gasoline, it accounts for only 5 percent of the pump price.



According to the CARD study, the average price of crude oil increased approximately \$15 per barrel in just one year, from \$80 per barrel in 2010 to about \$95 per barrel in 2011. This equates to a 30% increase in average U.S. wholesale gasoline prices.

Ethanol has now captured 10% of the nation's fuel market. "This has allowed the U.S. to switch from being a major importer of finished gasoline to a major exporter of both gasoline and ethanol. Countries that switch trade patterns in this way will see dramatic price impacts because internal prices switch from world prices plus transportation costs to world prices minus transportation costs. At the beginning of the last decade, U.S. gasoline prices had to equal EU gasoline prices plus the costs of transporting the gasoline from the EU to the U.S. Now that ethanol has caused a reverse in this trade pattern. U.S. prices are lower than EU gasoline prices by an amount equal to transportation costs," the study stated.

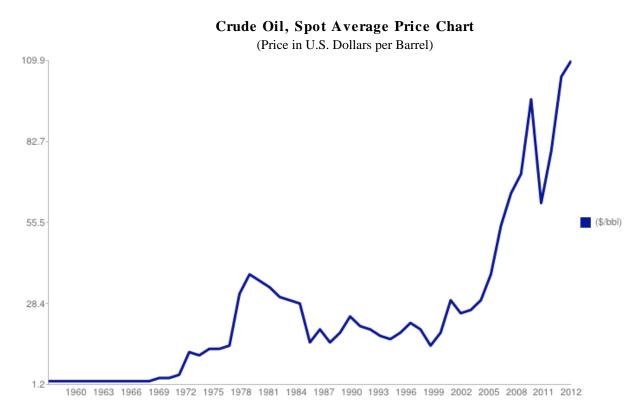


Chart compiled by an environmental science and conservation news site using figures from *World Bank Commodity Price Data*.

Available at: http://www.mongabay.com/images/commodities/charts/crude_oil.html

The entire study is available on CARD's website: http://www.card.iastate.edu/publications/synopsis.aspx?id=1166

"The Impact of Ethanol Production on U.S. and Regional Gasoline Markets: An Update to 2012" conducted by the Center for A griculture and Rural Development, May 2012. Study commissioned by Renewable Fuels Association.