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ETHANOL: A NEBRASKA ECONOMIC DEVELOPMENT TARGET

Todd Sneller
Nebraska Ethanol Board
Ethanol Impact and Economic Opportunity

**Ethanol:
A Nebraska Economic Development
Target**

**Ethanol Impact and
Economic Opportunity- 2005**

Presentation by
Todd Sneller
Nebraska Ethanol Board

Bio-Fuels: An Economic Catalyst for Nebraska

- “Unquestionably, the most important value-added product to the State’s economy is, and will continue to be, ethanol production.”
 - “Policy decisions at the federal level along with increased demand for ethanol could dramatically increase U.S. net farm income and create many jobs over the next few years.”
 - “Nebraska must communicate that it is eager to attract desirable businesses such as...bio-fuel plants...through a combination of tax breaks and innovative policies.” -Decision Analyst, Inc. Febr. 2003
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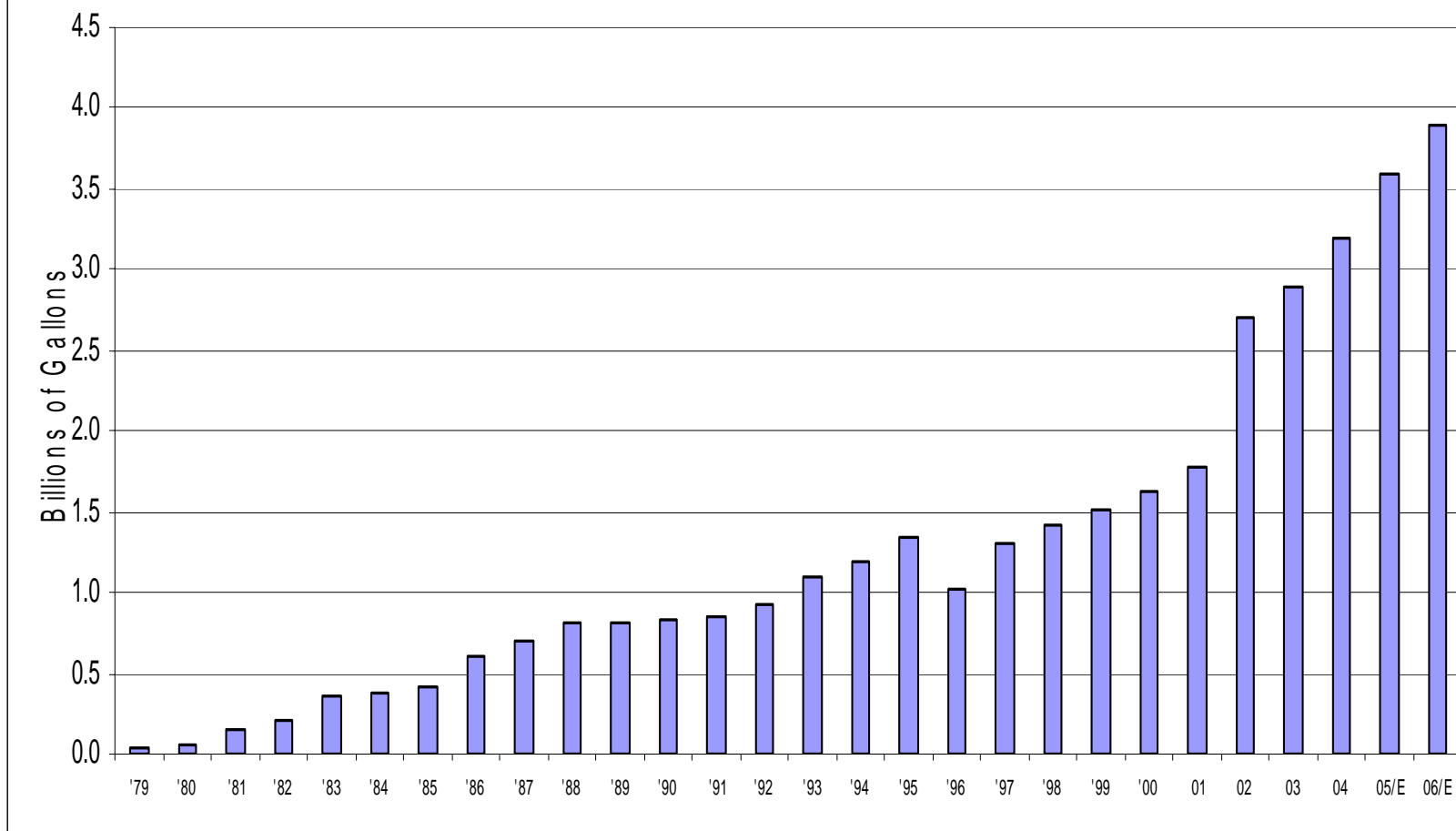
State and Local Benefits of Ethanol Production

- Stimulates Local Grain Prices; Reduces Transportation
- Increased Economic Value for Cattle/Dairy Industry
- Quality Jobs; Retention of Skilled Workers
- Plants Well Suited for Rural Sites
- Increased Local Tax Base; Increased Tax Revenue
- Value-Added Industry; Promotes Export of Finished Products
- Growth Industry that Attracts Capital to the State; Plant Expansion Potential Increases Capital Outlay and Related Economic Activity
- Stimulates Allied Industries and Enhances Infrastructure
- Excellent Addition to Electric Power Demand Base
- Use of Ethanol Reduces Outflow of Energy Dollars
- Use of Ethanol Can Reduce Fuel Costs to Consumer and Increase Dealer Margins and Demand for Ethanol

Ethanol Production should remain a targeted industry in Nebraska

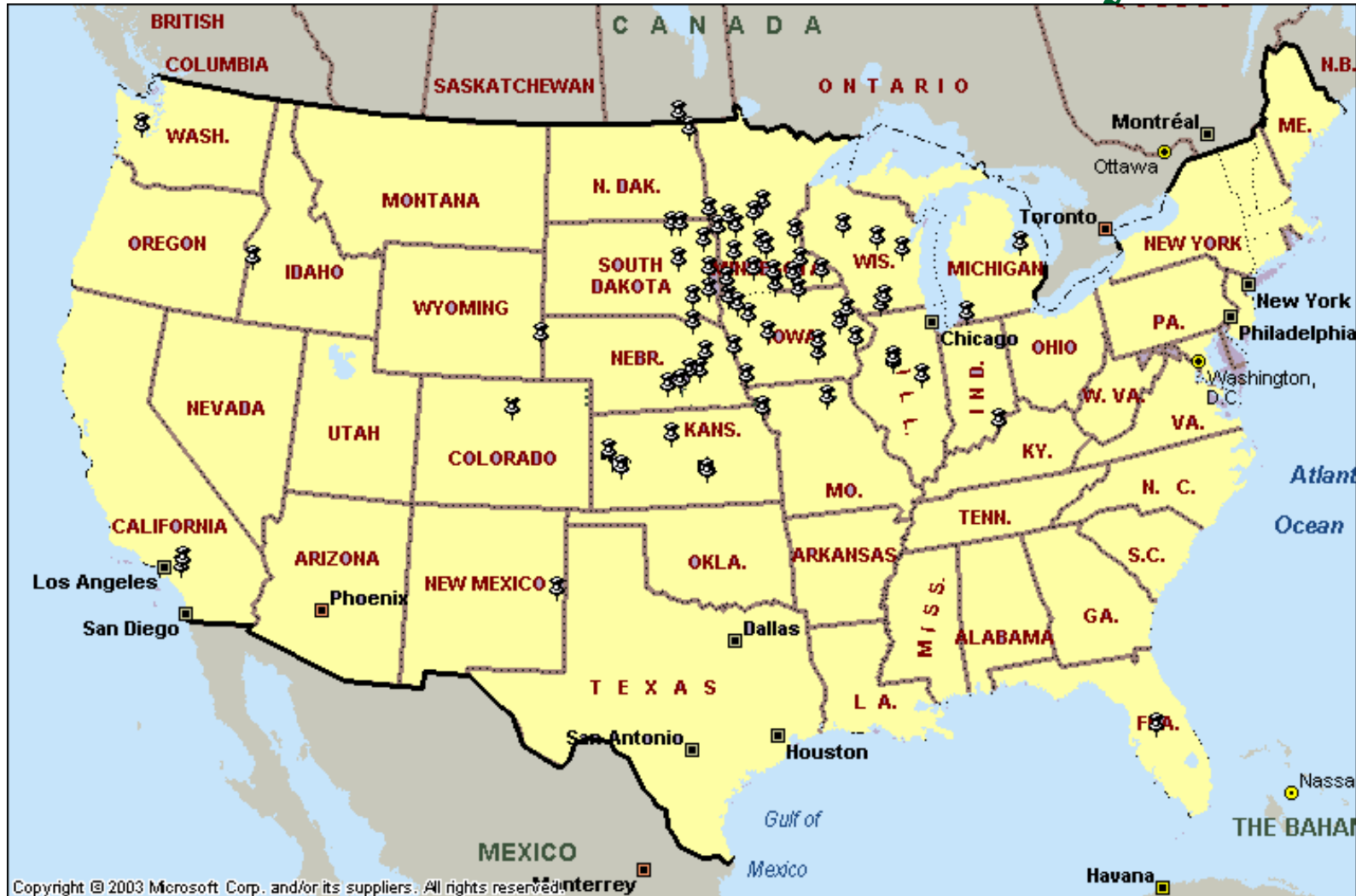
- Many areas of the state are well-suited for ethanol production.
 - Smaller communities can compete for ethanol projects.
 - Geographic diversity in plant locations may be advantageous.
 - Targeted job skill training centers should be identified and developed; opportunities for collaboration with development companies.
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U.S. Fuel Ethanol Production 1979-2006



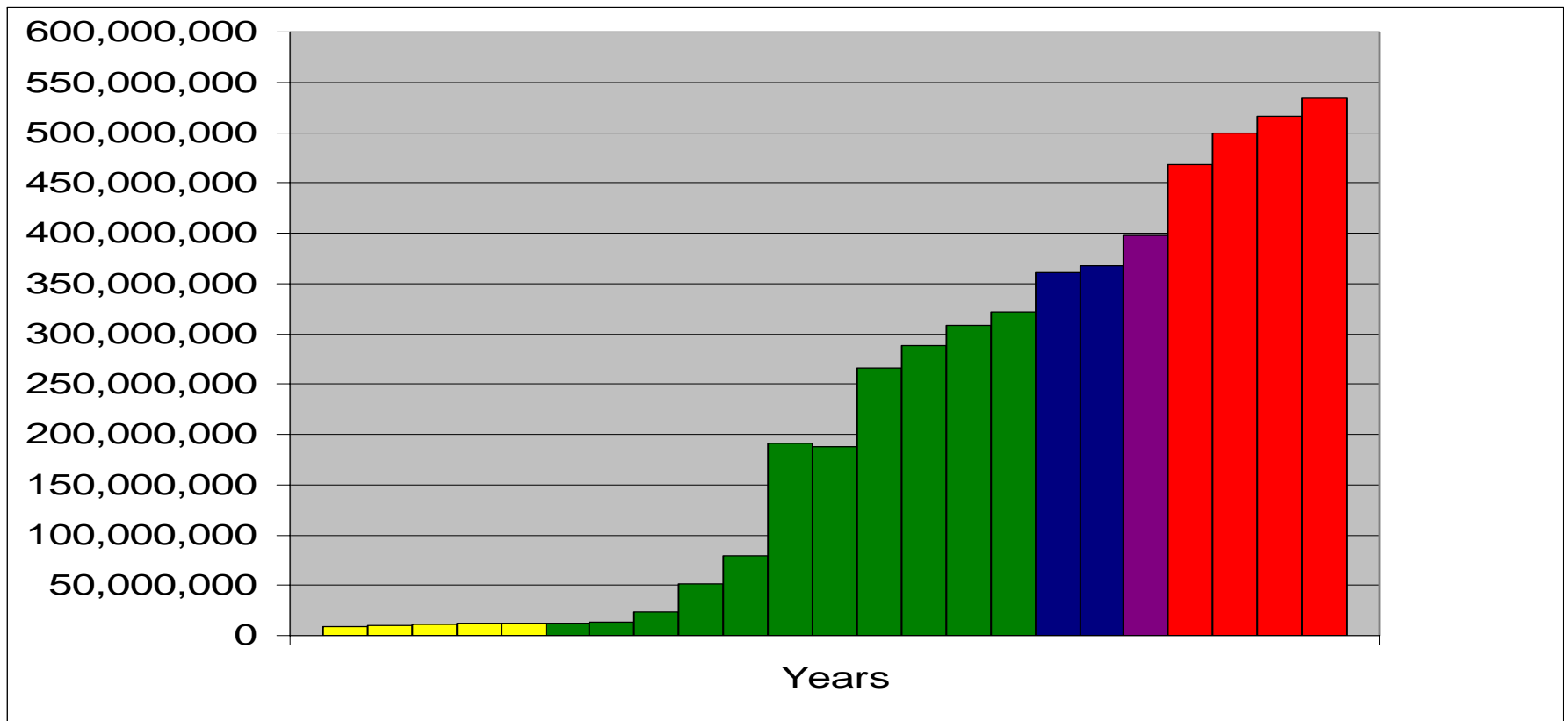
*Ethanol production estimates based on year-to-date production from U.S. EIA.
2005-2006 capacity estimates courtesy American Coalition for Ethanol.*

U.S. Ethanol Industry



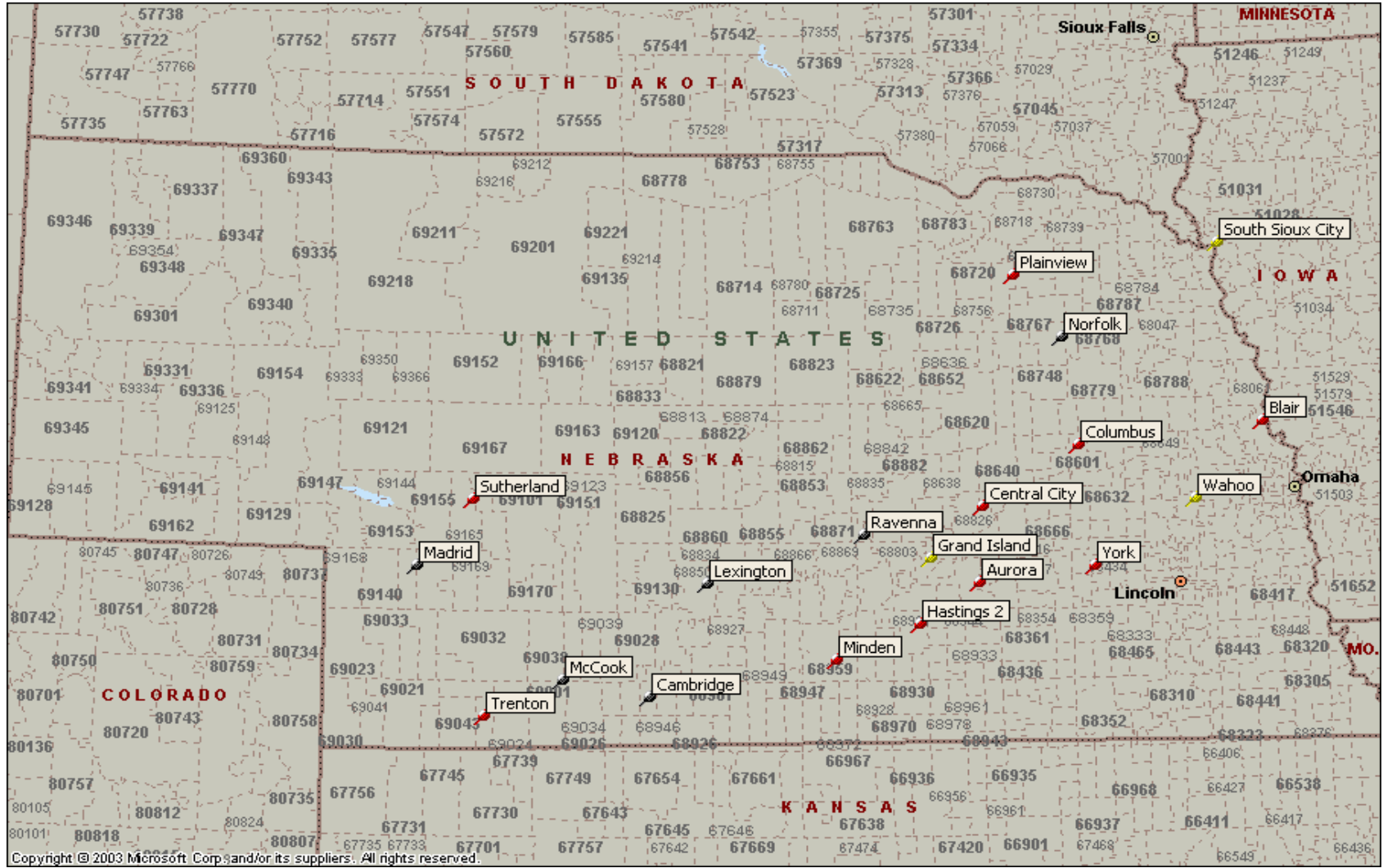
Ethanol Production By Incentive

1985-2007



No Incentive 1985-1989; LB1124 1990-2000; LB605 2001-2005; Overlap of LB605 & LB536; LB536 2003-2012

Nebraska Ethanol Plants





The Nebraska Ethanol Industry



Economic Effects of a 40 MGY Ethanol Facility



Job Creation

- 38 Direct Jobs
 - 67 Indirect Jobs
 - 24 Induced Jobs
 - Total Payroll: over 1.5 million dollars
 - Average Salary: \$39,737
 - Payroll Tax: \$105,700
-

Output Effects

Various Effects

- Capital Investment: \$55,500,000
- State Corporate Income Tax: \$1,185,795
- State Individual Income Tax: \$158,491
- Property Tax: \$305,325

Total Output Effects of 40 MGY Ethanol Plant

- **\$83,212,065**
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Ethanol Production

- Nebraska's eleven ethanol plants have the capacity to produce around 544 million gallons per year
 - The eleven plants grind nearly 210 million bushels of corn per year
 - **Once the six developing projects are on-line production will increase to 824 million gallons per year and annual grind will be approximately 317 million bushels.**
 - **The capitol investment of the eleven operating plants is over \$712 million. Include the six developing projects and the number jumps to over \$1.1 billion.**
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Nebraska Ethanol: An Investment in Nebraska

- The eleven operating plants have a net value of ethanol produced of over \$881 million.
 - **Their net value of sales of co-products is \$132 million.**
 - Total utility purchases by the eleven plants are over \$92 million.
 - Annual property taxes paid to the counties are nearly \$5.4 million.
 - Nebraska Income Tax revenue from ethanol production equates to about \$4 million.
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Nebraska Ethanol Employment

- The eleven operating plants in Nebraska provide 865 direct jobs to the state.
 - 1,545 indirect jobs and 554 induced jobs have been added to the state since ethanol production began.
 - The annual payroll at these plants is \$36,743,095 with an average salary of \$42,872.
 - Annual payroll taxes equate to over \$2.5 million
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DDGs: an economic source of protein for cattle feeders

- Provides economic impact to Nebraska.
- Generates more than \$52 million annually.
- Major cattle feed source – protein-rich meal, fed in wet or dry form.
- DDGs are a good feed that improves performance, utilizes 95% of corn purchase price, creates change in corn price.

Source: Galen Erickson, University of Nebraska - Lincoln

Demand for Ethanol and Other Bio-Fuels Continues to Grow

- **Nebraska plant locations may offer a strategic transportation advantage.**
 - **Ethanol market growth continues in urban centers west of Nebraska.**
 - **Nebraska is currently on the western edge of the ethanol production center.**
 - **Ethanol demand continues to stimulate increased production and opportunities for new plants.**
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