



# NEBRASKA ETHANOL BOARD

STATE OF NEBRASKA

DAVE HEINEMAN  
GOVERNOR

TODD C. SNELLER  
ADMINISTRATOR

## NEBRASKA ETHANOL BOARD MEETING MINUTES

Holiday Inn Express  
508 Second Avenue South  
Kearney, Nebraska

July 18, 2008  
8:30 a.m.

### MEMBERS PRESENT

Tod Brodersen  
Tim Else  
Dave Hallberg  
Steve Hanson  
Jim Jenkins  
Mark McColley  
Michael Thede

### ADVISOR ABSENT

Dr. James Hendrix

### STAFF PRESENT

Todd Sneller  
Steve Sorum  
Gerri Monahan  
Billy DeFrain

### GUESTS

Jordan Dux—Adrian Smith Ofc.  
Galen Erickson—UN-L  
Jacki Fee—Cargill  
Rolando Flores—UN-L  
Ed Gaither – EAD Engineering  
Paul Johnston –NE Farm Bureau  
Ryan Koinzan-Louis Dreyfus  
Randy Klein—NE Corn Board  
Duane Kristensen—Chief Ethanol  
Shannon Landauer-Boone County Development Agency  
Lori Potter—Kearney Hub  
Leslie Reed-Omaha World Herald  
Ralph Scott-Trenton Agri-Products  
Brian Wilcox—NPPD / ACE

### **Call Meeting to Order**

A meeting of the Nebraska Ethanol Board (Agency) was convened on Friday, July 18, 2008, at 8:30 a.m. The meeting was held at the Holiday Inn Express, Kearney, Nebraska. Chair Jenkins called the meeting to order and announced notice of the meeting had been duly publicized through distribution of a press release issued at least seven days prior to the meeting to representatives of the media throughout Nebraska.

### **Approval of Agenda**

Jenkins asked for additions or corrections to the agenda. Seeing none, McColley moved “to approve the July meeting agenda as printed.” Brodersen seconded. The motion carried by acclamation.

### **Minutes**

Jenkins asked if members had reviewed minutes of the April board meeting. Following a review of the minutes, Jenkins asked if there were any additions or corrections to the minutes as presented. Hearing none, he asked for a motion to approve the minutes. Thede moved, “to approve the minutes of the April 4, 2008, meeting as printed.” McColley seconded. The motion carried by acclamation.

### **Budget Status Report**

Sorum presented the budget report for FY 2007-2008, which ended on June 30. Agency 60 spent \$496,732, about 87.8% of its appropriated funds for the fiscal year. Personnel spending was 13% under budget. Operating expenses were 90% of appropriated funds. Travel spending was 17% under budget. The Agency retains about \$389,000 in cash reserve funds.

Sorum noted that the Agency must soon submit its new budget request for the next budgetary biennium. Sorum and the Agency budget committee suggested an annual budget of \$647,940, which included an appropriations request of \$589,000 plus half of the cash reserve funds.

Sorum reported on the Agency’s current and projected revenue. In FY 2007-2008 Agency received \$432,000 less revenue than projected. Revenue was lower because of fuel economics and denaturant blending patterns. Producers are able to blend between 1.9 and 5% denaturant. As denaturants became more expensive relative to ethanol, blenders blend at lower levels. Some plants projected to be online by now are not yet producing, and many plants are producing below capacity. This has also negatively affected revenue. Sorum expected revenue to remain flat in the upcoming fiscal year.

Brodersen recommended on behalf of the budget committee an appropriations request of \$657,940 for FY 2008-2009 and \$645,000 for FY 2009-2010. Chair Jenkins recommended that the board seek maximum appropriations from the Legislature and noted the board’s near \$180,000 of discretionary budget funds and cash reserves. Jenkins noted the desire to keep Agency spending flexible, and he thanked the budget committee for meeting before the board meeting.

Brodersen moved, “to approve the Nebraska Ethanol Board sub-committee’s recommendation of \$657,940 for FY 2008-2009 and \$645,000 each for FY 2009-2010 and FY 2010-2011.” Hallberg

seconded. The motion carried (yes- Hanson; Jenkins; McColley; Thede; Brodersen; Else; Hallberg; no-).

Monahan presented the spending and payment report for the months of April, May and June. For the month of April: Contracts: \$20,987.29; Dues/Registrations/Subscriptions: \$4,253.24; Meeting and Travel: \$3,564.27.

For the month of May: Contracts: \$34,341.80; Dues/Registrations/Subscriptions: \$806.33; Meeting and Travel: \$1,764.97.

For the month of June: Contracts: \$20,354.19; Dues/Registrations/Subscriptions: \$278.78; Meeting and Travel: \$1,741.74, Miscellaneous Expenses: \$74.90 (E85 Workshop Printing will be reimbursed by Grant funds).

Per diems: Brodersen, Else, Hanson, Jenkins, McColley and Thede received per diems for the April board meeting. Brodersen received a per diem for the E85 workshop in Kearney.

Hanson moved, "to accept the April, May and June payment and per diem reports as presented." Thede seconded. The motion carried (yes-Jenkins, McColley, Thede, Brodersen, Else, Hallberg, Hanson, no-).

### **EPIC Fund**

Sorum delivered the Ethanol Production Incentive (EPIC) fund report. The legislature transferred \$15 million from the general fund into the EPIC fund on June 30. The transfer will keep the EPIC fund solvent through FY 2010-2011. There is not likely to be any additional legislative action regarding the EPIC fund this year. Sorum projected an ultimate shortfall of \$15 million but no deficit in the fund for at least two years. EPIC fund balance is currently \$23.5 million.

### **Marketing Report**

Sneller summarized a written report from Dave Buchholz. Marketing programs include collaboration with the Nebraska Lottery for an ethanol fuel giveaway, a reprint of the brochure listing operating and building ethanol plants, and an updated "Food and Fuel" pamphlet. Buchholz is working with Ethanol Promotion and Information Council (EPIC) on new radio commercials. The national pump labeling initiative continues with 35 states participating by the end of 2008.

Sneller reported that at the National Ethanol Vehicle Coalition (NEVC) meeting they had voted to use the original design for the E85 logo using a capital E. Sneller also noted his upcoming trip to California with EPIC to meet with editorial boards.

Sneller reported on increased activity resulting from the E85 Direct Marketing Workshops, especially with on farm deliveries of ethanol. Brodersen said that he felt the workshops were a valuable program. Sneller noted that the Agency had submitted an additional application for grant funds from the United States Department of Agriculture (USDA) to repeat the program.

An upcoming solicitation by the United States Department of Energy (USDOE) will provide a \$25 million initiative for ethanol outreach and development.

### **Brochure Reprint**

Sneller noted cooperative effort with Nebraska Corn Board and Nebraska Corn Growers Association on new E85 brochure designed after one by the Illinois Corn Board.

Brodersen moved, "To reauthorize Chair's approval of \$1,000 for a new E85 brochure in cooperation with the Nebraska Corn Board and Nebraska Corn Growers Association." Hallberg seconded. The motion carried (yes-McColley, Thede, Brodersen, Else, Hallberg, Hanson, Jenkins; no-).

### **Nebraska Ethanol Prices and Sales Report**

Sorum reported on sales and price trends. There has always been a solid relationship between ethanol and gas prices. In 2006-2007, ethanol was cheaper than gas, which boosted ethanol sales. E10 is 10 or 11 cents cheaper at wholesale but this negatively affects revenue. Sorum also noted a dip in sales when a 5 cent tax exemption on E10 expired. In 2006 E10 was about 50% of market sales. In first quarter of FY 2008, E10 comprised 77% of market sales. Nationally, total motor fuel sales are down by 6%.

### **Bio Nebraska Membership**

Sneller reported on a recent meeting with Bio Nebraska. Bio Nebraska works with research and development groups and for \$250 the Agency could become a member for the rest of the year. Membership is \$500 annually and the group has many members from the nutraceutical and pharmaceutical industries.

McColley moved "to approve payment of memberships dues to Bio Nebraska in amount of \$250 for the remainder of 2008." Brodersen seconded. The motion carried. (Yes-Thede, Brodersen, Else, Hallberg, Hanson, Jenkins, McColley; no-).

### **Nebraska LEAD Program Funding Request**

Sneller noted past support of Nebraska Leadership Education/Action Development (LEAD) program. The program has yielded many agriculture people for state boards and ag commissions. The board had voted at its January meeting to grant an additional \$1,250 for FY 07-08 to the program.

Else said he liked the program and would like the board to grant another \$1,250. Thede agreed.

Thede moved, "to approve half of the Nebraska LEAD program request of \$2,500 in general program support for fiscal year 2008-2009 and revisit the second half of funding at a future board meeting." Else seconded. The motion carried (yes-Brodersen, Else, Hallberg, Hanson, Jenkins, McColley, Thede, no-).

### **State and Federal Legislation**

Hallberg summarized legislative developments. Congress is unlikely to enact more ethanol-related legislation due to recesses and schedules approaching the 2008 general election. The Environmental Protection Agency (EPA) is due to respond to Texas' Renewable Fuels Standard (RFS) waiver request before August. It is expected that the waiver request will be denied, but this may be an issue again next year as the RFS increases.

Hallberg noted that the upcoming presidential and congressional elections were extremely important to the future of the industry. A new RFS bill could include considerations of indirect land use changes as one criteria as well as more specific emissions modeling.

Hallberg reported that Chevron's \$500 million to the University of California at Berkeley had paid off. Berkeley is producing research which casts ethanol in a negative light, with the goal being to make ethanol look no better than oil from shale in terms of emissions. Hallberg also anticipates a battle over tax incentives and tariffs.

### **EPA Waiver Petition**

Sneller discussed the efforts to request waivers from the EPA. Plants that are not certified at a specific emissions standard will become a lower tier producer. Sneller noted upcoming meetings with DEQ. California's emissions models are outdated because plant design and production process has changed significantly since 2001 and the majority of production capacity has been built since then.

Hallberg reported that many researchers are using the GREET emissions model which is based on this faulty, outdated data since 75% of production capacity is from plants built after 2005. Hallberg also noted the work of University of California Berkeley professor Alex Farrell who worked on emissions modeling that was more accurate. Farrell was due to testify at a hearing on emissions and biofuels but died unexpectedly.

Sneller said that an alarming amount of money was being spent in the Food and Fuel debate and that fostering a rational discussion in the media and scientific communities was becoming more difficult. It is important to win the emissions modeling fight for corn ethanol or the industry will also lose the fight for cellulose.

Jenkins delivered comments regarding research. He noted that many people are talking about energy issues and this will be a vital area of focus for at least the next 10 years. Cassman and the University are working hard on ethanol related research but these efforts are underfunded and under focused. Nebraska must make energy a priority. The governor and the university must come together on this issue because there is a tiny amount of funding for a \$4 billion industry in Nebraska. The media covers the negatives of ethanol but none of the externalities for oil.

### **Special Presentations**

Sneller introduced the special guest speakers and remarked on the many opportunities and challenges facing the industry and how creating human food from dried distiller grains (DDG) with pharmaceutical and nutritional content can create great benefits.

Dr. Rolando Flores of University of Nebraska-Lincoln (UN-L) presented on corn fractionation. Flores is researching methods of fractionating corn before milling. Fractionation is the process of breaking down corn into its components: bran, germ and endosperm. Flores has found an increased yield of all corn products when a fractionation process is used during ethanol production. Flores is also researching applications of DDGs for use in human food. There is more value in the fractionated components of corn than in the whole corn kernel, and profitability increases for producers as starch loss goes down. Flores noted that a researcher at

the university receives only \$3,000 per year and that the only way to conduct research is to acquire funds from grants.

Dr. Galen Erickson of UN-L presented on his research involving cattle feeding methods with DDGs. Erickson first discussed the chemical composition of DDG and varying levels of sulfur. His research has found that with a DDG and roughage regimen marbling is increased and producers achieve a higher USDA rating of their beef. Erickson noted that roughly ethanol production yields about 33% by dry weight of DDGs as a percentage of the corn used, but that DDG is worth around 120 to 160% of the value of the corn in terms of livestock feed because of DDG's concentrated nutritional content. Hallberg calculated that considering the 15 billion gallon RFS requirement for corn ethanol, in real terms only 2.7 billion bushels of corn are lost because of the gain in DDG resulting from ethanol production.

Sneller noted the increased interest from multiple firms regarding nutritional or pharmaceutical additives to DDG derived foods for people. ICM has developed extruded DDG foods that may appear as rice or beans.

Jenkins said that he would like a summary of current ethanol related research and research projects that researchers would like to conduct if granted the funding. Jenkins asked staff to organize a public forum for the media to help disseminate a pro-ethanol message. Sneller commended UN-L's efforts, such as the EN Thompson Forum. Sneller suggested for the media forum inviting speakers like Flores or Erickson and inviting a media figure to serve as moderator.

Sneller asked for Board's permission to give him direction to move forward and explore research opportunities in areas such as functional foods for food-grade proteins as part of ethanol production process. The Board granted Sneller permission.

### **Ethanol Plant Status Report**

Ryan Koinzan of LD Commodities reported that the Norfolk plant's one year anniversary will be September 1 and they are building another plant in Iowa. Ralph Scott reported that Trenton is operating at full capacity and they are successfully distributing DDG. Duane Kristensen called for a more unified efforts from plants around the country to speak up in the food and fuel debate and mentioned a recent meeting in Chicago of producers where the fractured effort to combat negative messages was discussed. He noted that Association of Nebraska Ethanol Producers (ANEPP) is trying to recruit more plants and noted the upcoming September meeting with DEQ. Sneller will make a presentation on the function of the Agency at this meeting. The Agency is an associate member of ANEPP and provides strong in-kind support.

### **Auditor's Report**

Sneller summarized the findings of the recent audit of the Agency conducted by the state auditor's office. The auditors' one recommendation was for the Agency to implement more specific mileage tracking record keeping.

### **Personnel**

Sneller noted the state's complicated salary plan and asked that the Personnel subcommittee coordinate a performance review and compensation decision for eligible employees .

### **Chairman's Report**

Jenkins stated he had effectively delivered his Chairman's report earlier in the meeting and mentioned his collaboration with Sneller on the white paper project on progressive livestock feeding practices.

### **Administrator's Report**

Sneller asked Else to attend an event at the Fairmont plant and encouraged board members to attend that and other events.

Brian Wilcox, as vice chair of the American Coalition for Ethanol (ACE), told the board that Sneller is being considered for a seat on the ACE board. Wilcox said that Sneller's experience would be of great value to ACE. The ACE board meets four times a year for day long meetings. Hallberg agreed and Kristensen noted that ACE is an effective grassroots organization which has accomplished much progress with the promotion of blender pumps and higher ethanol blends.

McColley moved, "To approve Sneller's request to be nominated to the American Coalition for Ethanol Board of Directors for a three year term." Hallberg seconded. The motion carried by acclamation.

Sneller reminded board of the upcoming State Fair. Monahan had solicited commitments from ethanol plants to help staff the Agency's display booth at the fair and Sneller invited other plants to do the same.

DeFrain noted outdated software and additional software needed for office use and to maintain the Agency website. Thede moved "to approve up to \$1,300 in software to support the agency's website." Hanson seconded. The motion carried (yes-Jenkins, McColley, Thede, Brodersen, Else, Hallberg, Hanson; no-).

### **Trip/Meeting Reports and Travel Authorization**

Sneller recapped board and staff travel since the April 2008 board meeting. Sneller asked for authorization for California trip to meet with editorial boards, GEC meeting in Washington, D.C. and Billings, MT, and for Monahan for the GEC meeting in Billings. Sneller noted that when he is asked to attend a meeting or conference he commits only if travel or lodging expenses will be reimbursed.

McColley moved, "to approve travel requests for Sneller to attend the editorial board meetings in California, GEC meetings in Washington, D.C. and Billings, MT; and for Monahan to attend the GEC meeting in Billings, MT." Hanson seconded. The motion carried (yes-Hallberg, Hanson, Jenkins, McColley, Thede, Brodersen, Else; no-).

### **Next Meeting Date and Time**

September 12 was tentatively set as the next Board meeting date.

### **Adjourn**

Brodersen moved, "to adjourn the meeting." Hanson seconded. The vote carried by acclamation.

X  
Steve Hanson, Secretary

---