MESSAGE FROM OUR EXECUTIVE DIRECTOR

Dear Valued Member,

The Covid-19 pandemic has upended much of life as we knew it six months ago. While the rate of infection in Minnesota has declined and the state’s economy is gradually reopening, the pandemic is far from over as other parts of the country face an alarming uptick in infection rates.

Minnesota’s ethanol industry has faced unprecedented challenges in the past six months and in this report, we will outline the steps we and our producer members took to keep our industry afloat and position it toward an upward trajectory when this crisis ends.

Sincerely,
Timothy J. Rudnicki, Esq

2020 HALF - YEAR REPORT

As the Covid-19 pandemic broke out in March, transportation in the United States came to a literal halt as states across the country begin imposing stay-at-home orders and the temporary closure of non-essential businesses.

This in turn resulted in the lowest fuel consumption in decades, according to the Energy Information Administration. Ethanol prices, which were already under pressure from the EPA’s abuse of small refinery exemptions, fell to new lows.

By late April, according to the Renewable Fuels Association, over 70 ethanol plants across the country with an annual output of 6.2 billion gallons were idled while nearly another 70 plants had reduced their operations by a combined 2 billion gallons on an annualized basis.
NATIONAL ETHANOL PRODUCTION MARCH - JUNE

Source: Renewable Fuels Association

METRO FREEWAY TRAFFIC MARCH - JUNE

Source: Metropolitan Council
The situation was similar in Minnesota where production was completely idled at some plants while others dialed back production by as much as 50 percent, as traffic volumes in the state plunged by as much as 70 percent in mid-April.

In April, as demand for sanitizing agents skyrocketed, the FDA relaxed its rules concerning the use of industrial alcohol from ethanol plants for sanitizer. In Minnesota, we worked closely with the Minnesota Pollution Control Agency, the Departments of Agriculture and Public Safety - Alcohol and Gambling Division and the Department of Employment and Economic Development (DEED) to provide our ethanol producers with the necessary guidelines to produce 190 proof and 200 proof ethanol for hand sanitizer or surface sanitizer.

Following that, several of our producer members diversified their operations to produce ethanol for in-demand sanitizer products. The production of sanitizer products enabled them to deliver a highly needed product to their communities. It also helped them mitigate some of the losses they were facing due to Covid-19 restrictions. But it was far from enough.

Toward that end, we began working closely with both Sen. Amy Klobuchar and Sen. Tina Smith on a proposal for cash payments for bushels of corn processed by an ethanol plant during a specific timeframe to keep it financially viable for a few months. On May 20, Sen, Klobuchar and Sen. Chuck Grassley introduced the Renewable Fuel Feedstock Reimbursement Act which calls for the Commodity Credit Corporation to reimburse ethanol producers 75 percent of the price of feedstock purchases made from Jan 1, 2020 to March 31, 2020.

Similarly, over in the US House of Representatives, the HEROES Act that was passed in May included the Renewable Fuel Reimbursement Program which would require the USDA to make payments to renewable fuel or advanced biofuel producers that experienced unexpected market losses due to the pandemic. The program will pay ethanol producers 45 cents per gallon of ethanol produced from Jan 1, 2020 to May 1, 2020. Unfortunately, the senate has yet to act on either the proposal from Senators Klobuchar and Grassley or the proposal in the HEROES Act for the next coronavirus relief package.

In June, as the state gradually opened, demand for ethanol increased and production at nearly all the plants in Minnesota began to approach pre-pandemic levels.
ADVERTISING CAMPAIGNS

With traffic volumes plunging in the first half of 2020, we dialed down on our radio advertising on KS95 FM and KDWB FM. On-the-ground promotional events to promote E15 were also halted to abide the state government’s advisory on gatherings in public places to slow the pandemic. To fill in the void, we increased our advertising on social media.

In mid-April, we tripled the number of stations we promote per week on Facebook from two to six. Each of these promotional ads featured videos explaining the benefits of using E15 and were shot on location at each of the stations we promoted. The ads were then targeted at consumers within a two-mile radius of the promoted station.

With most Minnesotans confined to their homes, this strategy enabled us to reach for more consumers than we usually do. Moreover, it provided us with an opportunity to lay the groundwork for higher demand for E15 once the state began to reopen.

In total, we ran 100 promotions in the first half of 2020 which delivered 1.72 million impressions. The videos that accompanied these ads were viewed 238,746 times in total. In comparison, in 2019, we ran 100 promotions on social media for the whole year and achieved 1.13 million ad impressions.

As in previous years, we launched our ethanol plant school tour program in February. Unfortunately, we were only able to organize three tours in the first half of this year and ended it in mid-March when the state ordered the closure of all schools and issued a stay-at-home order.
E15 sales in Minnesota began strongly in January and February before slowing down following the state’s stay-at-home order in late March. By April, E15 sales in Minnesota fell to 3.82 million gallons, the lowest monthly volume recorded since September 2018. The volume in May, however, grew 26 percent from April as the state began to gradually open. In total, 28.79 million gallons of E15 was sold in the first five months of 2020 compared to 30.54 million gallons sold in the same months in 2019.

**RETAIL STATIONS**

Minnesota continues to lead the nation in stations offering E15. After surpassing 300 stations in 2018, the number of stations offering E15 in the state continued to grow in 2019 and the beginning of 2020. As of this report, there are 375 stations in Minnesota that offer E15. The brands that offer E15 include Holiday, Casey’s, ARCO, Kwik Trip, Minnoco, Winner, Little Dukes, Hy-Vee, Clark, Cenex, Speedway and Freeborn County Co-Op. In total, there are now 21 brands in the state that offer E15.
GOING FORWARD

As mentioned earlier in this report, the Covid-19 pandemic shows no signs of dissipating. As of this report, cases have begun to pile up again in Minnesota and in other parts of the country. Rolling back the reopening of the economy here and other parts of the country to contain this sudden uptick cannot be ruled out.

As such, while it may seem as though the worst is over for Minnesota’s ethanol industry as production begins to approach pre-pandemic levels at most plants, the severe downturn experienced by the industry from March to May will have lasting financial repercussions.

Thus, it is imperative to that both short-term and medium-term fixes are put in place by both the federal and state governments so that Minnesota’s ethanol industry not only remains financially viable, but is positioned to prosper once again.

For the short-term, it is imperative the Senate include relief for the ethanol industry in the next Covid-19 relief package by either including the proposals introduced by Senators Grassley and Klobuchar or the Renewable Fuel Reimbursement Program passed by the House of the Representatives.

For the medium and long-term, we are working with Minnesota’s state government to put in place several measures that will regrow the ethanol industry.

One measure is to boost the use of E15.

State vehicle fleets should be able to have access to, and use, E15 and E85. As more fleets use E15 and E85, these renewable fuels will gain even greater acceptance and become the new standards.

The second measure is focused on the use of mid-level blends in non-flex fuel vehicles. The Walz Administration could set up a task force to identify the next steps to obtain data required by the EPA to certify a mid-level blend fuel for use in non-flex fuel vehicles and obtain certification.

Biofuel infrastructure should also be a high priority to give Minnesotans greater access to renewable fuels. This can be done through creative funding options to help fuel retailers transition to E15 and higher blends. With 375 fuel retailers in the state already offering E15, we should focus on bringing another 290 retailers online.
With 665 fuel retailers offering E15 and higher blends, we will reach critical mass and help E15 become the new standard in Minnesota.

Another medium to longer term project would be a clean fuels policy. If such a policy were properly designed to account for the GHG value of ethanol and technology improvements made at ethanol plants, the policy would amplify the benefits of ethanol compared to petroleum. This could provide a huge catalyst for the petroleum industry in Minnesota to use E15 as the new regular fuel.

Another measure would be to use the Clean Cars Minnesota rulemaking process to stimulate automakers to offer a variety of Low Emission Vehicles (LEV) powered with ethanol.

This vehicle rule gives us an opportunity to advocate for flex fuel, hybrid flex fuel and plug-in hybrid flex fuel as well as evolving technologies that can use E100. Success with this initiative will ensure future vehicles are compatible with E15 and higher blends.

All these measures will serve to fulfill a vision wherein Minnesota’s transportation sector is powered with increasing amounts of a homegrown renewable fuel and the energy dollars now used to import petroleum are kept in Minnesota, and the GHG emissions from the transportation sector are more rapidly reduced.

While we work with the state government and other industry partners for the aforementioned measures, we will continue to actively encourage the use of E15 to thousands of Minnesotans every week through our effective social media campaigns. We will also resume our on-the-ground promotions at E15 stations with our partners at KS95 once it is safe to do so.

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