



STATE OF NEBRASKA

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NEBRASKA ETHANOL BOARD

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Nebraska Ethanol Board Observes 35th Anniversary

In 1971, gasoline sold for fifty cents a gallon and the U.S. economy had yet to suffer damaging crude oil embargoes that would come later in the decade. Even so, some Nebraskans realized the country was becoming dangerously dependent on foreign oil supplies. This growing energy vulnerability coupled with price-busting grain surpluses prompted the Nebraska Legislature to enact a bold policy initiative. To address the oil dependency and grain surplus problems, the Legislature created the Nebraska Ethanol Board, a state agency with a mission to develop an industry where none existed. The idea was to produce ethanol fuel from grain and integrate the renewable fuel into the nation's supply of motor fuel. If successful, this concept would reduce growing oil imports, keep energy dollars at home and add considerable value to the state's immense agricultural output.

When the Ethanol Board began operations in 1971, the task of developing this new industry was formidable. Knowledge of ethanol used as motor fuel was limited to a few isolated experiences from the early twentieth century. It was unknown, for example, if it would work in contemporary engines. No production facilities existed and gasoline, the product it would displace in the market, was still relatively inexpensive. Basic automotive research was required. Production technology needed to be refined and markets for co-products identified and developed. Regulatory approval was required and the fuel had to be promoted and successfully marketed. Finally, the well-funded opposition from the petroleum companies had to be overcome. Given the challenges in 1971, few could have predicted the current size and scope of the ethanol industry.

Today, on the thirty-fifth anniversary of its founding, the Nebraska Ethanol Board looks back and celebrates impressive progress toward its legislated mission. The original concept has developed into a dominating force in the state's economy. Nebraska boasts twelve operating ethanol plants, with nine more under construction and twenty-nine more projects in various stages of development. By 2007, more than thirty percent of the state's annual corn crop will flow through ethanol plants and for the first time in history, Nebraska will be a net fuel exporter as ethanol production exceeds gasoline consumed by the state's motorists. Moreover, this industry, with its roots firmly planted in Nebraska has spread well beyond the state's borders. One hundred and fifteen plants scattered across fifteen states will produce more than five billion gallons of ethanol this year.

Ron Kelly of Alliance, an original member of the Ethanol Board, is astonished at the rate of progress. "The demand has exploded nationally. When the program started in the summer of 1971, we set a state goal of five ethanol plants that would produce one

hundred million gallons annually. Today, there are twelve plants producing six hundred-fifty million gallons.” Kelly said.

Loran Schmit of Bellwood, the state senator who introduced the concept to Nebraska lawmakers, remembers the uphill battle faced by the fledgling industry. “We were soundly ridiculed by petroleum companies and others who claimed there were billions of barrels of oil in reserve and no reason to fear an energy shortage. I introduced the bill to provide a market for farm grains, to conserve petroleum reserves, and to provide a more pollution free atmosphere.” Schmit said. “Few believed that ethanol would one day make a major contribution to our energy supply. But it has and I believe its still in its infancy,” according to Schmit.

“Ethanol is changing the landscape of Nebraska agriculture,” said Todd Sneller, Administrator of the Ethanol Board. “It adds value to our crops and elevates farm incomes. It energizes rural communities with capital investment and high quality jobs. Ethanol plants produce high quality feed products for Nebraska’s livestock industry and the industry generates tens of millions of dollars in state and local tax revenues.” Sneller, the Ethanol Board’s Administrator for twenty-eight years, has seen much of the industry’s development but believes even more exciting times may be in the future.

“New federal policy requires that ethanol capacity must continue to expand to supply clearly defined new markets. There is broad popular support across the country for renewable, domestically produced energy sources and ethanol fits the bill perfectly. U.S. automakers have sold six million flexible fuel vehicles that can burn 85% ethanol blends and technologies are developing that utilize many types of agricultural and other biomass resources for energy production. The ethanol industry is off to an impressive start but this is just the beginning,” Sneller said. “Sustained growth will follow and many Nebraskans will share in the industry’s success.”