

# Margins Matter: Iowa Ethanol Production at a Crossroads

**Background:** Legislation potentially impacting the ability of Iowa ethanol plants to utilize carbon capture and sequestration technology (CCS) is being discussed in the Iowa Legislature. The outcome of this debate could have a major impact on the future of Iowa ethanol production and the Iowa economy.

**Scenario:** The Iowa Renewable Fuels Association commissioned Decision Innovation Solutions (DIS) to conduct an all-encompassing economic impact study of the following scenario:

- Iowa ethanol plants are precluded from utilizing CCS technology via pipelines while surrounding states allow such projects to move forward.

**Phase 1 Results:** The study determined that current market and policy dynamics would result in Iowa ethanol production becoming noncompetitive with catastrophic result for Iowa ethanol producers, Iowa farmers and the Iowa economy.

- Production will migrate out of state. By the end of the decade, Iowa ethanol production could contract by 75% (nearly 3.5 billion gallons per year) leading many plants to shut down.
- Iowa farmers would lose local markets for over 1 billion bushels of corn annually, depressing local corn prices.
- Iowa would realize an eventual decline in revenues from ethanol plants of more than \$10 billion per year.

**DIS Key Conclusion:** “Margins matter. And the 45Z tax credits are a game changer. Clean fuels such as ethanol which are produced with CO2 capture and sequestration via pipeline are the future for the renewable fuels industry. Iowa’s ethanol industry is at a crossroads – will it be positioned to be the leader in ethanol and other clean fuels or watch that future move over the horizon?”

**Phase 2:** DIS is working on phase 2 of the report, which should be concluded in a few weeks. Phase 2 will determine the negative impact on local corn prices from the projected reduction in the Iowa corn grind outlined in phase 1.

**Report Author:** Decision Innovation Solutions (DIS) is the premier economic research and analysis firm for agriculture in Iowa. The leading author was David Miller, Consulting Chief Economist at DIS and former long-time chief economist and researcher for the Iowa Farm Bureau Federation.

[Read the full report here.](#)