Iowa Renewable Fuels Summit

Markets, Not Mandates, Shape Ethanol Production

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The views expressed are those of the author and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.
Why does the Federal Reserve follow ethanol markets?

Roles of the Federal Reserve

1. Conducting Monetary Policy
2. Bank Supervision and Regulation
3. Maintaining Financial System Stability
4. Financial Services and Payments
U.S. Ethanol Production and RFS Mandates

Source: Energy Information Administration and Environmental Protection Agency
U.S. Gasoline Consumption and RFS Ethanol Mandates

Source: Energy Information Administration.

* Ethanol Production is net of trade
Ethanol Policy and Production

- RFS Mandates: A Floor
- Ethanol Blend Wall: A Ceiling
- RIN Markets: The Gap
Implications of Commodity Prices on Ethanol Production

Source: Based on author’s calculations using data obtained from Commodity Research Bureau and barchart.com
Summary

- Commodity markets drive profitability.
- RFS mandates may be less important.
- Effects of a temporary waiver may be limited.
- Technological developments will shape the market outlook.
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