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July 23, 2004

The President
The White House
Washington, DC 20500

Dear Mr. President:

I write today to call your attention to legislation (S. 2769) I introduced in the Senate yesterday along with Senators Dick Lugar, Chuck Hagel and Ben Nelson to ensure that ethanol imports do not undercut the growth of the domestic ethanol industry.

The genesis of this proposal was media reports that at least two multinational companies are actively considering plans to import Brazilian ethanol into the United States duty-free through the Caribbean Basin. Cargill, the Minnesota-based agri-business giant, has confirmed that it is considering importing 63 million gallons of Brazilian ethanol into the United States each year. And it has been reported that Chevron-Texaco, one of the largest oil companies in the United States, is planning construction of a plant that will enable it to import 50 million to 100 million gallons of ethanol.

These reports have generated understandable anxiety within the farm community. Farmers in South Dakota and throughout the Midwest are concerned that such import schemes could threaten the growth of the domestic ethanol industry and undermine our effort to establish ethanol as a major domestic energy source.

As you know, the key to the next growth spurt in the domestic ethanol industry is the bipartisan Renewable Fuels Standard (RFS) you support that would set mandatory annual production targets for ethanol for the next ten years. Senator Lugar and I first proposed the RFS four years ago as a means to grow the domestic ethanol industry in a way that both encourages investment in new community-sized ethanol facilities and expands markets for farmers. And, with your help, the RFS has cleared both houses of Congress and will hopefully be enacted into law this year.

I am concerned that Cargill and Chevron's import schemes would establish a dangerous precedent for other importers and dramatically undercut the ability of the pending RFS to enhance our national energy security and boost farm income. These plans threaten the benefits of the RFS by injecting an element of market uncertainty into the RFS discussion that could dampen investment in community-sized ethanol facilities. Further, ethanol importation would put the producers of Brazilian sugarcane in direct competition with American corn growers.

S. 2769 will assure that imported ethanol does not displace domestic ethanol in meeting the new demand anticipated under the RFS. Under our proposed RFS, ethanol demand would grow from 3 billion gallons per year in 2004 to more than 5 billion gallons in 2012, providing ethanol plants and farmers with a steady growth schedule that encourages investment in this domestic industry. S. 2769 simply ensures that only domestically produced ethanol will count towards the demand schedule established in the RFS legislation.

Mr. President, I appreciate all that you have done to promote the Renewable Fuels Standard and am hopeful that the strong bipartisan support for the legislation introduced yesterday will help generate momentum for enacting the RFS this year. Unless we pass the RFS with this domestic ethanol requirement, foreign ethanol brought into the country through the Caribbean Basin by multinational companies such as Cargill and Chevron could threaten the success that community-sized ethanol plants are enjoying and hurt the American farmers that supply them.

I hope that you will quickly announce your support for S. 2769 and join me in redoubling our efforts to enact the RFS yet this year. What's at stake are 500,000 barrels per day of high-octane, already refined ethanol for blending with gasoline which will save the United States $4 billion in imported oil each year. In addition, refiners would benefit from additional flexibility in our gasoline markets, corn prices would increase by as much as 50 cents per bushel, the U.S. Gross Domestic Product would be elevated by $156 billion, and 214,000 new jobs would be created throughout the economy.

Sincerely,

Tom Daschle

Tom Daschle
United States Senate

TAD/bew