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Special Feature

Live from WWFE: Ethanol boom to slow: expert

By Tom Johnston on Thursday, October 25, 2007

CHICAGO — The Bush Administration's push for energy independence has prompted production of corn-based ethanol to skyrocket in the last two years, and the diversion of feed to fuel has taken a toll on livestock producers. But the biofuel's lack of energy relative to traditional motor fuels and distribution problems are making the product a tough sell.

Addressing a sizable audience at a session here at the Worldwide Food Expo on Wednesday, Ron Plain, professor of agricultural economics at the University of Missouri, said production is far outpacing the federal government's mandate to produce four billion gallons of renewable fuel in 2006 and nearly double it to 7.5 billion gallons by 2012.

The ethanol industry essentially matched the 2006 target, but this year already reached the 2012 plateau and will double to roughly 14 billion gallons in 2008 before returning to some seven billion gallons in 2009 and essentially leveling off for several years thereafter, Plain explained.

Aiding the trend is the fact that ethanol only produces about two thirds the gas mileage of gasoline, which means it can't be sold at optimum prices. "The more ethanol you produce, the lower the price (at which) you're able to sell it," Plain said.

Another glitch comes by way of logistics. The ethanol industry is largely confined to the Corn Belt, while the cars are on the East and West coasts. That means the fuel must be shipped by train or truck, and the infrastructure to do that efficiently is lagging far behind production.

Overall, Plain said the livestock industry will respond in kind, as it historically has, by moving sideways. Meanwhile, per capita meat consumption will stabilize.