



A gentle cough for the Washington Post

Posted by [Heading Out](#) on May 21, 2006 - 4:34pm

Topic: [Supply/Production](#)

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The growth in ethanol production and the increase in gas prices combine to lower the amount of crude oil that must be imported to meet the nations needs. And though the increments on ethanol production are not great, when placed in context of the margins between supply and demand they become significant. As the [Washington Post](#) notes this is having a significant impact on the fortunes of Iowa farmers.

Iowa, the top corn-producing state, is the nation's ethanol leader, generating 25 percent of U.S. ethanol in towns such as Coon Rapids and Steamboat Rock. In addition to 22 ethanol refineries in operation, the state has seven under construction and at least 20 are being planned.

The boom here has largely been a grass-roots phenomenon, fueled by clusters of growers, bankers and small-town professionals. Aspiring biofuel plant owners have been barnstorming the state, delivering investment pitches in firehouses, schools and community centers.

Six thousand farmers have bought in.

The concern that I have with this story and the growing publicity it is a part of does not relate to the EROI of the process, that is best discussed by others. I am concerned however that it seems to imply that we have found something that will significantly change the transportation fuels situation.

But consider what else the story says

The state legislature this year passed incentives designed to increase the percentage of ethanol and biodiesel in Iowa fuel sales to 25 percent by the end of 2019. Three of every four gallons of gas sold in the state contain at least 10 percent ethanol, although most of the state's production is shipped elsewhere.

In the most productive corn state, ethanol will only, in fifteen years, supply 25% of the fuel needed. Given that this is the case, one wonders whether there is a great deal of sense in building a significant number of vehicles that can drive at the higher levels of ethanol concentration, since there being only a limited space where corn will grow profusely and the statement

unlike that of crude oil, the potential supply is virtually unlimited and close to home.

is not really true.

Nevertheless, as I commented some weeks ago, those that are currently investing in plants are seeing a relatively rapid return on their investment

When Horan and his partners sought \$20 million for each of three new biodiesel plants, no request took longer than 10 days to fulfill. In one case, the offer was fully subscribed in eight days and the organizers sent \$2.5 million back. Horan said banks have been willing to lend large sums with no collateral other than the refinery itself.

"People will drive all the way across Iowa to come to a meeting," said Horan, who grows soybeans and corn on 4,000 acres in Knierim, about 100 miles northwest of Des Moines, with his brother Joe. "It's the opposite of Big Oil. It's Little Oil. It's our oil."

I can see the sense in investing in ethanol at present, but I don't see the benefit in making vehicles that will drive at the high percentage concentrations (85% and above) since I cannot see how we can expect to see more than perhaps 7 - 10% contribution to the overall supply in the next fifteen years and at those concentrations the current engines will, I believe, function quite well.



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