

Biofuel potential

By GARY DiGIUSEPPE

FOR a long time, the biofuels boom passed the Mid-South by.

The development of this U.S. industry has largely come as a result of government incentives or decrees, the first of which was the federal excise tax break established in the early 1980s; it made corn-derived ethanol competitively priced with gasoline.

The fuel became popular as a 10% blend in the Midwest, where the corn and the refiners were; ethanol binds to water, and can't be easily conveyed

Key Points

- Incentives created the biofuels industry.
- Some believe Mid-South could benefit from cellulosic ethanol.
- Grain-based ethanol is causing problems for livestock industry.

via pipeline.

In 1990, revisions in the Clean Air Act required ozone non-attainment cities to add an oxygenate to their gasoline. Most chose methyl tertiary butyl ether, which is derived from natural gas. Ethanol only had 8% of the oxygenate market

in the '90s. But MTBE, a carcinogen, was found in hundreds of groundwater sources in California. That, and the nauseating smell from its emissions, persuaded regulators to switch to ethanol.

Then, in this decade, Middle Eastern turbulence, Hurricane Katrina, and voracious new demand from China and other developing nations caused oil prices to spike, and persuaded Congress and President Bush to mandate the use of biofuels as an alternative to imported petroleum.

The 2005 energy bill would have required 7.5 billion gallons

a year to be used by 2012, but the rapid growth of the ethanol and biodiesel industries caused Washington to revise its targets last year. The minimum is now 9 billion gallons for this year, and 36 billion by 2022.

Of the 36 billion gallons, 21 billion is to be made from feedstocks other than crops. "Cellulosic" ethanol can be produced from the wood sugars in such fibrous plant matter as lumber mill leftovers and crop residues. Though it's not yet cost effective to make ethanol from cellulose, government-funded research and tax breaks similar to those that launched

the corn-based ethanol business are being deployed to nudge the new product along.

A place for cellulose

If there is a place for ethanol production in the Mid-South, Robert Stobaugh believes it will come from cellulose. Stobaugh, who farms near Atkins, Ark., sits on the Jefferson City, Mo., based National Biodiesel Board.

Biodiesel is diesel made from natural oils and fats. Unlike ethanol, which can only displace a certain percentage of gasoline in an unmodified combustion engine, there isn't much petroleum-derived diesel can do that biodiesel can't.

The 2005 energy act also established a biodiesel tax break, and more than 300 million gallons of the fuel is now being produced annually in the U.S. from soy oil, cottonseed oil and fat from poultry processors.

While the Midwest remains the dominant source of biodiesel, many new plants have been built in the Mid-South. However, grain-based ethanol is another matter.

"That's going to be really hard," says Stobaugh, "because we have such an animal-based market for our grains. Corn and soybean meal and all go to our poultry and cattle and hog producers' feed rations. We just don't have the overabundance of it like they have in the Midwest."

Cellulose, he believes, will be the way to go.

"We have a lot of crop fodder in the rice, wheat and corn industries. I think cellulosic ethanol has got a place for us here in Arkansas, as soon as our scientists and researchers figure out that very best enzyme to break that stuff down," Stobaugh concludes.



Feed vs. fuel

FORGET the mandates. That's what Charles Rodgers Jr. says.

The Arkansas Cattlemen's Association president says his state's congressional delegation was alone in opposing the ethanol mandate, and now other lawmakers are taking that position.

"Get enough states to follow through," Rodgers says, "and maybe we'll have a situation where we'd be able to — not necessarily completely do away with the ethanol, because there's some folks who've made some investments. But forget the increase in mandates and the subsidies."

■ Read more on Pages 6-7.

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