Analysis: Ethanol industry growing

By PHIL MAGERS

DALLAS, May 4, 2005 (UPI) -- A small town in the Texas Panhandle is the scene of the latest plans to bring the United States more clean-burning fuel for cars and trucks in the future.

Two Dallas firms have announced separate plans to build large ethanol plants near Hereford, a town with a population of about 15,000 best known for decades as the heart of Texas cattle country.

The two plants should be operational by late next year, each producing 100 million gallons of ethanol annually. They are not the first planned for Texas, and probably not the last.

The ethanol industry is booming across the country, spurred on by pressure to find alternatives to high-priced gasoline and an end to the U.S. reliance on imported oil. More plants are being constructed, and not just in the Midwest.

There are 84 U.S. plants in operation, according to the Renewable Fuels Association, a trade association that represents ethanol producers. Sixteen plants are under construction and two are being expanded. Seven of the new plants are in Iowa in the heart of the Corn Belt.

The ethanol industry has doubled in size in the past three or four years and the growth continues unabated, according to Monte Shaw, an association spokesman.

"We think that the higher prices that most people forecast going forward in the petroleum industry, coupled with an increased awareness on the environmental front and the energy security front, will provide long term growth for ethanol demand," Shaw said.

Clean-burning ethanol is promoted today as a supplement to gasoline that reduces its carbon monoxide emissions and lowers its price. About one-third of all gasoline sold in the United States last year was blended with ethanol, and more of it may be coming.

President George W. Bush, a former oil-state governor and oilman in his younger days, often mentions ethanol in his speeches as an alternative source of energy that ought to be pursued along with biodiesel. Some governors and members of Congress are also pushing to expand a government mandate for ethanol use in cars and trucks.

Changes are coming slow but sure. Every car built since 1978 can use 10-percent ethanol-blend gasoline, which reduces carbon-monoxide emissions by 25 percent. Newer flexible-fuel vehicles can run on a blend of 85-percent ethanol and 15-percent gasoline, which reduces emissions by 40 percent.

Energy independence is one of the factors cited by The Panda Group, a privately held energy company, in its plans for a $120 million ethanol plant at Hereford.

"One of the ways to do that is to begin using replacement renewable fuels such as ethanol," said Harold Green, a Panda spokesman. "That is one of the reasons we decided to go into this because we believe that is where the future is. The country needs to and will begin moving away from imported oil."
Panda said its plant will be one of the most energy efficient ethanol facilities ever built because it will convert cattle manure -- which is readily available in the Panhandle -- and cotton-gin waste into bio-gas to power the plant instead of natural gas, saving the equivalent of 1,000 barrels of oil per day.

White Energy Hereford LLC also plans a plant at Hereford, the first of three it intends to develop in the United States over the next three years, officials say. White Energy is a wholly owned subsidiary of White Ventures LLC, a $250 million venture-capital firm based in Dallas.

Trey White, White Ventures general partner, said the project should be a "dynamic catalyst" for Hereford, where he said his company has been working with local officials for two years on the project.

"The Hereford plant is scheduled to be operational by the 4th quarter of 2006, providing 38 full-time jobs to the local community and supporting an additional 650 jobs," he said in a statement. "Plant construction is anticipated to provide an additional $18 million in spendable income to the local economy. It also will inject more than $100 million into the construction economy the first year alone."

Corn, the staple of the ethanol distillation process, will initially be shipped in to the plant from the Corn Belt, although farmers may decide to plant the crop if there is a market, according to local officials. Still, the location in cattle country has its own advantages for all parties.

Don Cumpton, executive director of the Hereford Economic Development Corp., said the waste from the distillation process becomes cattle feed and there are a half million cattle in feed lots within 100 miles, not to speak of a growing dairy industry.

"The byproducts of these plants will provide an excellent cattle feed supplement after the corn has been squeezed," he said. "It's great supplement of both beef cattle and dairy cattle. It's one of the driving forces for them doing it here."

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