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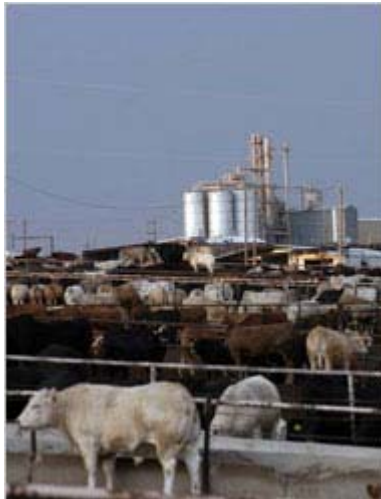
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THE ENERGY CHALLENGE

# Boom in Ethanol Reshapes Economy of Heartland

By ALEXEI BARRIONUEVO  
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David Bowser for The New York Times  
In Hereford, a small town in the Texas Panhandle's cattle country, two companies are rushing to build plants to turn corn into fuel.

## Correction Appended

*This article was reported by Alexei Barrionuevo, Simon Romero and Michael Janofsky and written by Mr. Barrionuevo.*

Dozens of factories that turn corn into the gasoline substitute ethanol are sprouting up across the nation, from Tennessee to Kansas, and California, often in places hundreds of miles away from where corn is grown.

Once considered the green dream of the environmentally sensitive, ethanol has become the province of agricultural giants that have long pressed for its use as fuel, as well as newcomers seeking to cash in on a bonanza.

The modern-day gold rush is driven by a number of factors: generous government subsidies, surging demand for ethanol as a gasoline supplement, a potent blend of farm-state politics and the prospect of generating more than a 100 percent profit in less than two years.

The rush is taking place despite concerns that large-scale diversion of agricultural resources to fuel could result in price increases for food for people and livestock, as well as the transformation of vast preserved areas into farmland.

## The Energy Challenge A Modern Day Gold Rush

Articles in this series are examining the ways in which the world is, and is not, moving toward a more energy efficient, environmentally benign future.

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Even in the small town of Hereford, in the middle of the Texas Panhandle's cattle country and hundreds of miles from the agricultural heartland, two companies are rushing to build

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Interactive Graphic: Fuel on the Cob

plants to turn corn into fuel.

As a result, Hereford has become a flashpoint in the ethanol boom that is helping to reshape part of rural America's economic base.

Despite continuing doubts about whether the fuel provides a genuine energy saving, at least 39 new ethanol plants are expected to be completed over the next 9 to 12 months, projects that will push the United States past Brazil as the world's largest ethanol producer.

The new plants will add 1.4 billion gallons a year, a 30 percent increase over current production of 4.6 billion gallons, according to Dan Basse, president of AgResources, an economic forecasting firm in Chicago. By 2008, analysts predict, ethanol output could reach 8 billion gallons a year.

For all its allure, though, there are hidden risks to the boom. Even as struggling local communities herald the expansion of this ethanol-industrial complex and politicians promote its use as a way to decrease America's energy dependence on foreign oil, the ethanol phenomenon is creating some unexpected jitters in crucial corners of farm country.

A few agricultural economists and food industry executives are quietly worrying that ethanol, at its current pace of development, could strain food supplies, raise costs for the livestock industry and force the use of marginal farmland in the search for ever more acres to plant corn.

"This is a bit like a gold rush," warned Warren R. Staley, the chief executive of Cargill, the multinational agricultural company based in Minnesota. "There are unintended consequences of this euphoria to expand ethanol production at this pace that people are not considering."

Mr. Staley has his own reasons to worry, because Cargill has a stake in keeping the price of corn low enough to supply its vast interests in processed food and livestock.

But many energy experts are also questioning the benefits of ethanol to the nation's fuel supply. While it is a renewable, domestically produced fuel that reduces gasoline pollution, large amounts of oil or natural gas go into making ethanol from corn, leaving its net contribution to reducing the use of fossil fuels much in doubt.

As one of the hottest investments around, however, few in farm country want to hear any complaints these days about the risks associated with ethanol. [Archer Daniels Midland](#), the politically connected agricultural processing company in Decatur, Ill., and the industry leader that has been a longstanding champion of transforming corn into a fuel blend, has enjoyed a doubling in its stock price and profits in the last year.

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One ethanol producer has already sold shares to the public and two more are planning to do so. And the get-rich-quick atmosphere has drawn in a range of investors, including small farm cooperatives, hedge funds and even [Bill Gates](#).

For all the interest in ethanol, however, it is doubtful whether it can serve as the energy savior President Bush has identified. He has called for biofuels — which account for just 3 percent of total gasoline usage — to replace roughly 1.6 million barrels a day of oil imported from the Persian Gulf.

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To fill that gap with corn-based ethanol alone, agricultural experts say that production would have to rise to more than 50 billion gallons a year; at least half the nation's farmland would need to be used to grow corn for fuel. But that isn't stopping out-of-the-way towns looking for ways to pump life into local economies wracked by population loss, farm consolidation and low prices from treating the rush into ethanol as a godsend.

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*Alexei Barrionuevo reported from Chicago for this article, Simon Romero from Hereford, Tex., and Michael Janofsky from Washington.*

### **Correction: June 29, 2006**

*A front-page article on Sunday about the development of ethanol plants gave an incorrect spelling in some copies for the surname of the chief economist at the National Cattlemen's Beef Association, who is concerned about how the production of the biofuel could affect corn supplies. It is Gregg Doud, not Dowd. Because of an editing error, the article referred imprecisely to plants in Fulton, N.Y., and Savannah, Ga., in some copies. They are in the planning stages; they are not yet operating.*

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