Solving world hunger

The transportation industry has been helped greatly by the growth of ethanol. In the last eight years, it is estimated that the number of active ethanol plants has increased from 40 to 150. Federal legislation enacted last year calls for a 500 percent increase in ethanol production by 2022.

Because of its corrosive qualities, ethanol cannot move in pipelines, the preferred transport mode for bulk liquids. This has meant a windfall for railroads, truckers and barge lines, many of which highlight their ethanol opportunities in presentations to the investment community.

The windfall extends through the supply chain. Not only is there increased output that requires transporting, but more (and different) inputs are necessary to support growing the corn. (For example, corn used in ethanol production needs to be dried — and now requires large quantities of natural gas or propane.)

The universal increase in grain prices allows transportation providers to charge higher rates while maintaining the same percentage of delivered cost. This applies to the movement of corn and ethanol, as well as the entire grain market. Acreage formerly used to grow other crops is now increasingly used to grow corn — thereby raising the prices for wheat, soybeans and other agricultural products.

Ironically, the inability of ethanol and water to coexist extends beyond physical pipelines. Numerous studies have shown that ethanol is quite oil-intensive in the amount of fertilizer and fuel needed in its growth, refining and distribution. (Many believe that ethanol consumes as much energy as it produces in its production.)

However, the latest challenge may be water. A major ethanol plant consumes 10 gallons of water for every gallon of ethanol produced. And while this ratio has decreased in recent years, it is placing a major drain on aquifers.

All of this calls into question the role of government. Is it helping the private sector achieve the proper outcome, or is it promoting the wrong outcomes? Many believe that ethanol cannot survive if it relies solely on corn, and that cellulosic ethanol — made from biomass other than corn — could produce three times the energy, while emitting less greenhouse gases.

Should we import ethanol instead of producing it domestically? Brazil, which uses sugar cane as the feedstock, has a sustainable model for ethanol. However, such an arrangement is not feasible today because of a 54-cent-per-gallon tariff on imported ethanol. There is also a 51-cent-per-gallon federal subsidy for blending ethanol, as well as the billions in farm subsidies that support corn.

There is cruel irony to the fact that a sizable swath of the nation’s heartland today literally finds itself under water. In 1993, similar flooding prevented us from focusing on a looming transportation capacity problem. If these floods impact corn and ethanol production and distribution, will we respond with new ideas, and an enlightened policy that recognizes the depth of problems?

These questions, like solving world hunger, deserve our focused and immediate attention.

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