

Indiana releases ethanol impact study

by Luke Geiver

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With 980 MMgy of ethanol production capacity making up 7 percent of the U.S. ethanol industry, the role of ethanol in Indiana seems pretty important. A new study by Informa Economics Inc., an agricultural and commodity/product market research firm, shows that for economic growth in the Hoosier state, the ethanol industry is actually second to none. "The overall ethanol industry is the single most important factor supporting the growth of agricultural production in Indiana," the report said.

Intended for business leaders and government officials, the report presented at the "Fuel Freedom, the Indiana Ethanol Forum," was sponsored by the Indiana Corn Marketing Council (ICMC) and Growth Energy. During the forum, held at an Indianapolis Colts complex, Dallas Clark of the Colts also presented a scholarship to an Indiana student who had created a video displaying the impact of ethanol on the state. "Dallas has been a great face for our program and really believes in the importance of biofuels for our economy, environment and energy independence," said Megan Kuhn, communications director for ICMC.

The report measured the industry's contribution to Indiana's gross state product (GSP), household incomes, mostly rural residents and farmers, permanent employment and finally, local and state taxes.

While creating 3,227 full-time jobs, adding \$499 million to the GSP and increasing household income (including farmer income) by \$255 million, the report also clarifies that without the ethanol industry, "none of this economic impact would have occurred." The state currently has eleven operating facilities that generate \$2.2 billion in ethanol and DDGS sales each year. If the price differential of ethanol to gasoline was passed on to the consumer, the report also points out that consumers could save \$27 million using ethanol-blended fuels.

Even though the high numbers indicated in the report show the expansive role of ethanol in the state, Informa took a conservative approach. Using the complex input-output economic model, IMPLAN, Informa tweaked the model so that it did not include job creation and economic activity at the "farmer level." Because farming practices may continue independently of ethanol production and farmers would have farmed their land regardless, the report's approach was to avoid including additional job growth and activity in this area. "This is a conservative approach (i.e. a small number of farming jobs may be created), but the alternative approach will inflate the economic impact significantly."

The impact of ethanol production in the state has created a rise in corn production but, "the increased corn production in Indiana has been driven by productivity increases and not acreage expansion," the report said. While agricultural improvements have increased corn production, water usage on average at the states' facilities has decreased by 26.6 percent from 2001 to 2006, according to the report.

"One of the goals of the ICMC is to increase the production of ethanol within Indiana to improve the demand of corn within the state," the report stated in the conclusion. "Indiana corn farmers realize that the ethanol industry is an important market for their corn," said Kuhn. "ICMC wanted to look at the big picture when it comes to ethanol's economic impact."