Nichole Busdieker, Agricultural Economics and Agricultural Journalism

Year in School: Senior
Hometown: Hawk Point, MO
Faculty Mentor: Dr. Jan Dauve, Agricultural Economics
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Will the ethanol industry become America's solution to its dependence on foreign crude oil?

Nichole Busdieker, Scott Brown, & Jan Dauve

Tax incentives have been used throughout history to drive markets and encourage development while helping those individuals involved. The U.S. oil industry has received an estimated $150 billion in tax incentives, since the late 1960s. Tax credits for producing ethanol from products like corn have been for the same reason. However, in 2010, unless current policies are extended, Congress will leave the ethanol community without those credits. According to the USDA, ethanol production can add 25 to 50 cents to the price of a bushel of corn. Each bushel used in ethanol production is able to produce 2.8 gallons of ethanol and up to 17 pounds of distiller's grains through the dry mill process.. The USDA estimates that ethanol production reduced government outlays on farm program by $3.2 billion in 2004. However, the ethanol industry remains focused on the keeping their costs of production low. Costs include variable expenses for inputs like corn and natural gas and capital expenses for plant construction and expansion projects. Ethanol variable production costs currently run an estimated $1.80 per gallon. This research focuses on the potential growth that may occur in the ethanol industry in the next 10 years and highlights the important factors that will drive the industry. To look at the effects of these different factors on the expected future growth of the sector, the modeling sector maintained by the Food and Agricultural Policy Research Institute has been employed to look at alternative paths for crude oil prices, tax incentives, import barriers and other costs faced by ethanol producers. In the end, this project identifies the most important factors that will influence the growth of the ethanol industry. That will allow stakeholders to focus on those issues that are most important to the industry's future.