

Ethanol: Penn-Mar Project Manager Provides Answers

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Management Authority's waste incinerator, adjacent to the ethanol site, will provide a portion of the power to turn corn into ethanol and co-products, according to planners.

Scott Welsh, project manager, said Penn-Mar Ethanol is in the process of applying for an air permit with the Pennsylvania Department of Environmental Protection, rezoning, and working on a land development plan. He expects the approval process to be completed by February or March of next year.

Early this month, *Lancaster Farming* (LF) conducted the following question-and-answer session with Welsh:

LF: What benefits could local corn growers see from

this plant other than price?

Welsh: We're expecting the facilities will be farmer-friendly, with fast unloading. That's the main thing.

LF: What effect could the plant have on local corn prices?

Welsh: There are lots of effects it could have. Most of the time, it won't have a significant impact. The most likely effect is that at harvest time, when basis is low, the plant will help to keep the basis up a bit. Because corn is our major input cost, we don't want to intentionally drive the price of corn up.

LF: What is the expected marketability of the co-products?

Welsh: We're expecting to produce a high-quality, golden dried distillers grain. We think it's going to

have real good marketability to dairy producers. There's more and more nutrition work out of the Midwest that shows high-quality distillers grain has good value for hogs and poultry as well.

We will potentially market wet distillers grain at 50-60 percent moisture. One advantage of that is we won't have the expense of drying. Some studies also show that palatability and digestibility is higher. The disadvantage is that wet distillers grain has a shorter shelf life than the dried product.

We will be capturing carbon dioxide and probably will have an "off-take" agreement with an industrial gas company that will use it either as compressed liquid carbon dioxide or dry ice.

LF: Will producing distillers grain from this imported corn add to the nutrient management problem in the region?

Welsh: I would say no, because we're already importing a percentage of the feed products in the region. The distillers grain we produce will largely replace other distillers grain and dry grains being imported into the region.

LF: Is the ethanol market in the East purely dependent on government regulations?

Welsh: No, it's not. The banning of MTBE and passing of a renewable fuel standard at the federal level are part of the regulation aspect. They certainly are factors that are going to affect the ethanol market. But we think that even without them, the economics justify the use of ethanol.

LF: Is the ethanol market projected to grow in the Northeast?

Welsh: Yes. Usage projections are anywhere between a half billion and one billion gallons per year in the Northeast. Based on that, the 50 million gallons a year our plant is expected to produce would supply between 5 and 10 percent of the ethanol used in the Northeast.

LF: Some people indicate that ethanol is a valuable liquid energy source produced from lower value energy sources. Will this be true in this facility?

Welsh: In our case, we'll be getting two-thirds of our energy needs from steam from the incinerator. Our electrical needs will also be met by that.

LF: Is there enough demand for ethanol to support several plants in the region?

Welsh: Yes, I think there is. I think that goes back to the estimate that we'll produce between 5 and 10 percent of ethanol demand in the Northeast.

LF: Why produce ethanol in a corn-deficit area?

Welsh: Our feeling after doing the analysis is that the economics are roughly equivalent to what they would be in a corn surplus area because we are closer to markets. We have higher freight costs for corn, but lower freight costs for the final products. It's like a feed or flour mill or other kinds of food production facilities that are doing processing at the market end. We still think the majority of ethanol will be produced in the Midwest, but we think there is room for a percentage of production to come from the Northeast. An essential part of it is good rail access.

LF: Is there a possibility of using different inputs or producing different outputs in the future with this kind of facility?

Welsh: I would say there is. To a limited extent, we've looked at using hull-less barley. It's not really available yet, but it would seem to make sense.

On the output side, we've also looked at producing alcohol for industrial uses, such as in the pharmaceutical industry.

LF: Will local producers be able to invest in the plant in the future?

Welsh: It's possible. We don't have all the details of how the finances will be out together yet. Investment opportunities are limited by the laws and regulations governing limited liability corporations (LLCs).



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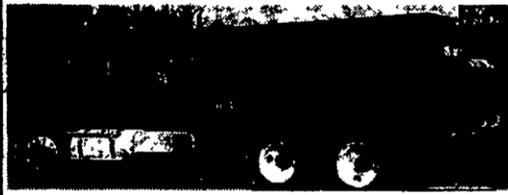
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