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Monday, January 31, 2005 3:20 PM CST

Raising corn for ethanol

By **MATTHEW WILDE**, Courier Staff Writer

IOWA FALLS — Raising corn that's highly fermentable and loaded with starch can be financially beneficial to farmers and ethanol plants.

Northeast Iowa is experiencing a boom in the ethanol industry. Hawkeye Renewables, a privately owned company based in Iowa Falls, recently opened a 45-million gallon plant in the community and started construction on a facility more than twice as big near Fairbank. Pine Lake Corn Processors near Steamboat Rock is expected to start producing 20 million gallons a year of the corn-based fuel additive in March.

The three plants will consume about 54 million bushels of corn a year. This is about two-thirds of the total production of Hardin, Fayette and Buchanan counties, where the plants are located.

While the addition of three new substantial corn buyers will increase competition and prices, ethanol producers say farmers can rake in more dough by planting the right kind of corn.

Plants may be willing to pay premiums for corn that maximizes ethanol production. This means hybrids with a high starch content, the primary ingredient of ethanol. Being highly fermentable — the process of turning corn starch into ethanol — is also a plus

Though officials aren't ready to speculate how much extra they will be willing to pay for ethanol-friendly corn compared to conventional varieties, they said that's the way the industry is headed.

"Our goal is to reward people who provide value to the plant," said Bruce Rastetter, CEO of Hawkeye Renewables. "We're encouraging farmers to plant those varieties."

Rastetter said the company is utilizing a machine supplied by

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Monsanto that analyzes the ethanol output of different types of corn.

They'll use the data to confirm which hybrids work the best at their facilities. He hopes to start offering incentive-based corn delivery contracts next fall.

To help farmers in selecting hybrids, major seed companies like Monsanto and Pioneer have conducted research in the area. Each company has compiled lists of their most compatible varieties for ethanol, which emphasizes gallons per bushel and high yields.

Pioneer has 69 varieties of what it calls high total fermentable corn. Its data shows an ethanol yield variance of 7 percent among different varieties. The industry standard is 2.5 to 2.7 gallons of ethanol per bushel.

Pioneer said their HTF hybrids increase ethanol yield by up to 4 percent. In a 100 million gallon facility like the one being built in Fairbank, given current ethanol prices, Pioneer said that's an extra \$5 million in revenue per year. Rastetter said construction is expected to begin next year to double the size of the Iowa Falls plant as well.

The U.S. Department of Agriculture says ethanol adds 20 to 40 cents per bushel to the value of corn, primarily due to increased demand, competition and dividends farmers receive as investors in plants. Pioneer agronomist Bill Long of Cedar Falls speculates delivering the right kind of corn will be worth even more.

"I think this will really change how corn is marketed in the area. If the grower doesn't take a yield hit, it could really be worth up to 5 cents (more per bushel)," Long said.

That's not including transportation savings from not shipping corn to the Mississippi River or processors in Cedar Rapids.

Rastetter said a guaranteed supply and high output corn is valuable to them and will trickle down to farmers.

Both Hawkeye Renewables and PLCP are signed up as preferred processors with Monsanto. The seed company provides a list approaching 100 highly fermentable varieties, an ethanol-testing machine and other incentives.

"The seed doesn't cost any more. If you're a grower/investor, why wouldn't you plant it," said Amy Rutherford who leads Monsanto's commercial ethanol efforts.

Larry Meints, a farmer-owner and chairman of the board of PLCP, said he raised a Dekalb variety on Monsanto's list last year and it was his top producer, averaging more than 200 bushels per acre.

Meints said initially their won't be premiums offered for growing ethanol-preferred varieties, but he expects that to change. He said logistics and identity preservation issues need to be worked out.

In the mean time, he said farmers that own stock in PLCP will still benefit financially by raising highly fermentable corn. They not only get paid for corn, but receive bigger dividends when the plant makes more money through increased sales.

"We are encouraging our growers to raise it," Meints said of highly fermentable corn. "A lot of our owners are growers ... I'm in that boat. Anything that improves efficiency improves the bottom line."

Matthew Wilde can be reached at (319) 291-1579 or matt.wilde@wfcourier.com.

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