

## Fuel of the future?

With the number of ethanol plants on the rise, Indiana farmers figure corn is a growth industry

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MARION, Ind. -- Across a sea of soybeans and corn rippling in a mid-summer breeze, Tom Holloway Jr. can look from his backyard and see the future: a distant mound of dirt and jutting construction equipment for a \$66 million ethanol plant.



"You can see 'em and hear 'em and probably be able to smell 'em," he said of his new neighbor.

Holloway also hopes to do business with them.

The 37-year-old farmer is gearing up to squeeze as much corn production as agronomics will allow from the 3,000 acres he farms with a brother and one employee.

He's not alone. All across Indiana, farmers are planning to increase their corn crops, lured by higher profits from selling to 12 corn-hungry ethanol plants that are planned or under construction around the state. The new plants will join one open one, creating fresh appetite for Indiana's top crop. If only 10 of the new plants end up being built, they would consume about 25 percent of Indiana's annual corn production of 1 billion bushels.

That could bring sweeping changes to farms around Indiana -- from the impact on corn prices to the push to develop more disease-resistant seeds to political pressure to institute more tax incentives for ethanol consumers.

A visit to Holloway's farm illustrates the changes at hand. Holloway, who learned the ways of row-crop farming from his grandfather, is thinking of going against the grain, by growing continuous corn year after year on much of his land.

Farmers weaned on the virtues of crop rotation -- planting corn one year and soybeans the

next to stem the build-up of disease and insect damage in their fields -- are considering planting programs that include two or more years of continuous corn.

Big Ethanol's expansion in Indiana may "change the dynamics of how farmers farm" in the nation's fourth-largest corn- growing state, said Kevin Cavanaugh, research director at Beck's Hybrids, an Indiana-based seed grower.

He expects that, within five years, up to 80 percent of Indiana's row-crop acreage could be planted regularly with two or more years of continuous corn, compared with almost no continuous corn acreage now. That figures to boost Indiana's corn production well over the 1 billion-bushel current level.

What farmers are responding to is demand from the ethanol plants that figures to boost the price of corn in Indiana by 5 to 7 cents a bushel, or maybe more. That will make corn even more profitable than normal compared with soybeans, perhaps by an extra \$10 to \$20 an acre.

"It doesn't sound like much, but over the years it is. Margins are slim, so a \$10 to \$20 increase is huge for us," said Holloway.

Do the math for Holloway's farm, and you get the idea: If he pockets an extra \$15 an acre for just 1,000 acres a year over 10 years, that's an extra \$150,000 that could buy a top-of-the-line tractor every decade.

Already, planting corn two or more years in a row is becoming more common in parts of Illinois and other states where strong demand exists. So doing it in Indiana wouldn't be unusual, said Wally Tyner, a professor of agricultural economics at Purdue University. Mitch Miller, general manager of the privately financed Central Indiana Ethanol plant being built in Marion, already is lining up contracts with farmers in a 50-mile radius to buy their corn starting in May of next year, when the plant opens.

Miller, who previously helped build and run two ethanol plants in Minnesota and has become an industry booster whose SUV license plate reads ETHANOL, sees ethanol plants boosting corn prices in the Marion area by 9 cents a bushel.

He's offering 16 cents a bushel less than Chicago Board of Trade contract prices, about 9 cents more than local corn buyers usually pay.

Holloway, the crop farmer, said he realizes the ethanol industry could change the way he farms, but it's also dependent in large measure on tax subsidies and the continued high price of oil. "A lot of issues haven't played out yet," he said.

But with the Central Indiana Ethanol plant rising within sight of his ranch-style brick home, where his grandfather once lived, he is even ready to change the way he refers to field corn, the basic yellow grain he grows for feed or industrial use.

"I wonder if someday we won't call it fuel corn," he said.