

# Infrastructure not ready for all the ethanol to be produced in '08

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By the end of 2008, the United States will have the capacity to produce 13 billion gallons of ethanol, but a Purdue University expert said the maximum ethanol the market can handle is 12 billion gallons, and perhaps considerably less.

"Ethanol production capacity has grown tremendously fast, and it's going to almost double from its high level today to the end of 2008," said Wally Tyner, Purdue Extension agricultural economist. "It has grown so fast that the capacity to produce is bigger than the capacity to market."

As a result, Tyner and colleagues forecast a few possible changes in 2008:

- \* The price of ethanol will be lower.
- \* Some ethanol plants will have to reduce production or shut production down.
- \* Some ethanol may have to be exported.

However, Tyner said a combination of these factors is most likely.

"There will be a lot of pressure on ethanol prices in 2008 and with high corn prices that means there will be a lot of pressure on profitability of ethanol during the next year," he said.

The challenge is that once all this ethanol is produced, it has to be made available to consumers at gas stations, and shipment of ethanol is an issue.

Tyner said that in order to build the ethanol market to its maximum potential - 14 billion gallons, or 10 percent of gasoline consumption - the capacity has to exist to transport it by rail to the East Coast, West Coast and the South. Because of its corrosive nature, ethanol can't be moved by pipeline.

"Once at its destination, there needs to be terminal blending capacity so the ethanol can be blended," Tyner said. "That means building new tanks and, in some cases, building new rail lines into the terminals.

"All this can happen, but it takes time. It is already being done in Florida, but not everywhere, and it most certainly will not be done by the end of 2008. This puts a real infrastructure constraint on even getting to the physical potential."

Tyner said that expanding the E85 market in the longer term means producing more flex-fuel cars and installing more E85 pumps in gas stations.

"That's a long, slow process," he said. "Automotive manufacturers will be moving that way, but changing the percentage of the fleet that's flex-fuel will take years.

"But the faster we move in that direction, the faster it will happen."

Source: Purdue University

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