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## **U.S. Corn Exports to Drop Dramatically Due to Ethanol Growth New Farm Bill Should Shift Focus From Exports to Domestic Markets, Report Finds**

Minneapolis - If only a quarter of proposed new Midwest ethanol plants come on-line, up to half of corn in Midwest states currently sent for export could be diverted to domestic ethanol production, according to a new report issued today by the Institute for Agriculture and Trade Policy (IATP). Recent projections by the U.S. Department of Agriculture concur that a significant portion of corn for future ethanol plants will come from exports.

*Staying Home: How Ethanol Will Change U.S. Corn Exports*, by IATP's Mark Muller and Heather Schoonover, looks at the stunning growth planned for ethanol plants in the Midwest and their potential impact on corn exports. The paper (at [iatp.org](http://iatp.org)) includes data on how corn exports for individual Midwest states could be impacted by new ethanol plants, including, Iowa, Nebraska, Minnesota, Illinois, Indiana, Wisconsin, Missouri, North Dakota, and South Dakota.

Corn-based ethanol production in the U.S. doubled between 2001 and 2005, and is likely to double again the next few years. The U.S. already has 100 active ethanol plants capable of producing more than 5 billion gallons of ethanol a year. An additional 58 plants either under construction or expansion are expected to increase that capacity to 9 billion gallons. Another 150 ethanol plants have been proposed around the country, which could double U.S. capacity by 2008 if they are built. The U.S. Department of Agriculture has stated that much of the corn for ethanol production will be diverted from exports.

“Over the last few decades, U.S. farm policy has driven over-production in a few commodities in order to increase exports,” said Muller. “We are entering a new era, where domestic uses are more important drivers of commodity markets. Given this new context, spending billions of dollars on initiatives such as expanding the transportation infrastructure on the Mississippi River for export markets is an irresponsible investment of taxpayer dollars. Instead, policymakers should focus on building and diversifying opportunities for renewable fuels and energies; promoting farm practices and cropping systems that build soil health and improve water quality; and ensuring that farmers and rural communities benefit from these new opportunities.”

The report found that government projections are likely underestimating the impact of ethanol on export levels because they don't take into account proposed ethanol plants in their projections. Some Midwest states, particularly Nebraska and Iowa, could theoretically need to import corn from other states in order to meet their expanded ethanol capacity even if only a fraction of the proposed plants come online.

“A new Farm Bill next year needs to embrace the promise of ethanol and tackle the challenges it poses,” said Schoonover. “Simply growing more corn may help meet short-term demand, but it raises a number of ecological concerns. The forthcoming Farm Bill should look beyond the near term and encourage the next generation of renewable energies and fuels, which will likely come from cellulosic material in prairie grasses and other cutting edge technologies. Farmers and rural communities stand to benefit much more

from incentives for local ownership of ethanol plants, investments in local and regional transportation needs, fair market prices, and value-added opportunities, than they do from exports.”

“This IATP report affirms earlier complaints about the Army Corps of Engineers planning work on expanding Upper Mississippi and Illinois River locks - namely that they have consistently over-projected the grain export market,” said Mark Beorkrem of the Mississippi River Basin Alliance. “Environmentalists since the late 1990's have told the Corps that barge traffic was declining long term. No longer can lock expansion proponents ignore that despite rising grain production, farmers can and will find other, more financially-attractive markets for their grain than the export market. The Administration, Congress and the Corps should abandon lock expansion efforts and instead invest taxpayer dollars into developing domestic markets for agriculture products.”

The full report is available at: [www.iatp.org](http://www.iatp.org)

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