

Proposed Penn-Mar Ethanol Plant Will Not Benefit Local Farmers

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Penn-Mar Ethanol plans to build one of the largest ethanol producing plants in the country at Cumberland Valley Business Park in Greene Township, Franklin County, Pennsylvania. The plant will make ethanol from corn, and sell it as a gasoline additive.

For almost a year, Penn-Mar was trying to gain approval for the plant to be built in Conoy Township, Lancaster County, but it met with substantial local opposition. So Penn-Mar came to Franklin County in early February 2005, and signed a contract to purchase land in the Cumberland Valley Business Park from the Letterkenny Industrial Development Authority (LIDA). If built, it would be the first ethanol plant in the Northeast.

LIDA just wants the money. It is obvious why LIDA wants to sell to Penn-Mar, even though the **ethanol industry has had a terrible record of creating air pollution and noxious odors**. LIDA lost money last year, and will probably lose money this year. The sale to Penn-Mar would help make up those losses. In addition, Penn-Mar will buy massive quantities of water (925,000 gallons per day) from LIDA's Authority, which will be supplying the water from the Letterkenny Reservoir that it got for free from the Army.¹ About half of that water will need to be treated as wastewater, and Penn-Mar will pay the Authority to treat the water in the plant it also received free from the Army.

Given the health, safety, and quality of life problems created by ethanol plants, most agree that helping LIDA get out of a financial hole sooner is not worth the potential damage to local businesses and residences that will come with the ethanol plant. Nor do the 35-40 jobs the plant would bring justify the dangers and risk.

LIDA and Penn-Mar needed another argument to justify the hazards that the ethanol plant will bring. "*Because it will greatly help local farmers*" quickly became the stock answer to the question "why should we put up with the air pollution, potential water pollution, noxious odors, and the attendant property value decrease that the ethanol plant is likely to bring to Franklin County?"

In fact, the ethanol plant will not help local farmers. While it is true that ethanol plants in the Midwest have increased local corn prices *there*, that is *only* because the Midwest corn prices are so low. Everyone agrees that the ethanol plants cannot exist by paying premium prices for much of their corn. As a result, Penn-Mar's published plan is to ship at least 75% of the corn it needs from the Midwest, where it can be bought for about \$1.90 per bushel.² Since Franklin County corn sells for about \$2.45

¹ Let's hope that the Army does not need the water to expand it's mission, or that a quality employer with many good jobs does not move into CVBP because the water supply is over-burdened, or that there is not a drought like there was a few years ago, or that Penn-Mar does not take even more water with the operation expansion it already announced to the York newspaper, etc., etc.

² Current corn prices from the Pennsylvania Corn Growers Association.

per bushel,² Penn-Mar can buy Midwest corn and ship it to Franklin County at a much lower delivered price than it would pay for Franklin County corn.

But Penn-Mar will be buying some “local” corn (20-25% of the corn used by the plant). **That “local corn” will be purchased by Penn-Mar’s farmer-owners from Penn-Mar’s farmer-owners, none of who are in Franklin County.** And it will undoubtedly be bought at a price in excess of the local market price.³ The question for the local farmers is: Do you really think that after investing millions of dollars in the planned ethanol plant, Penn-Mar’s farmer-owners from Hanover, York and Maryland are going to pay Franklin County farmers an extra 10-20 cents per bushel, rather than earn that extra profit themselves?

Savvy local farmers like Charlie Myers, Chairman of the Letterkenny Township Board of Supervisors, recognize that Franklin County farmers are not going to be selling corn above local market prices to Penn-Mar. Since Pennsylvania is a net corn importer, farmers who want to sell corn at current market prices are able to do so without Penn-Mar (unlike the Midwest, which has a glut of corn).

Unfortunately, **local farmers will be used as pawns** by the wealthy owners of Penn-Mar who will get their share of the billions of dollars in ethanol subsidies that large agribusiness got with political donations and high priced lobbyists. But no matter how strongly Franklin County farmers stand with the larger, richer, and more powerful “farmers” (Penn-Mar) to support ethanol, not one cent of the government ethanol subsidies will go to Franklin County farmers.

Dried distillers grain and solubles (DDGS). So if local Franklin County farmers are not going to get higher prices for their corn, or the ethanol subsidies and any profit those subsidies make possible, what benefit would they obtain from Penn-Mar? As a bi-product of its ethanol manufacturing, Penn-Mar will be producing substantial quantities of dried distillers grain and solubles (DDGS). This product makes good animal feedstock, although it is lower in protein than some of the soy meal and other products local farmers use. It can provide about 20% of an animal’s feed needs, according to farm groups. Since it is a bi-product of ethanol production, it is usually inexpensive.

In the Midwest, ethanol plants are unable to get rid of all their DDGS, and that drives the price of this potential animal feed even lower. Local experts say we will have a similar situation here. That is because the proposed Penn-Mar ethanol plant will be producing **194,000 tons of DDGS per year** (not 194,000 bushels as some local farmers thought). With so much animal feed right in our own backyard, the price will obviously be low. So local “feeders” who want to use that product will be able to buy it at a reasonable cost. However, **we simply do not have a local market to get rid of 194,000 tons of lower protein animal feed.** It could be packaged and shipped, but more drying, packaging and shipping raises the cost so that the price is no longer as attractive. Ethanol plants admit that DDGS should be sold quickly and locally to avoid packaging or shipping

³ The price premium may not be as high as it is in the Midwest, because the market price for local corn is already far above the price of Midwest corn.

costs. Why quickly? DDGS does not store well. When the product begins to decay, according to an individual that lives near an ethanol plant, “it really, really smells, even worse than the plant itself.”

So what will happen to all of the DDGS that sits around waiting for someone to buy it, if the Penn-Mar ethanol plant is built? The likely answer is that **large Concentrated Animal Feeding Operations (CAFOs) will be built near the plant to take advantage of the cheap feed.**

The end result for will be that while the Franklin County farmers that raise animals may be able to buy some lower protein feed at a good price, **high production by CAFOs will drive the local price of the end product – hogs, calves, cattle, chicken, etc. – down through the floor.**

Let’s not forget what will happen to soy and grains grown locally to be sold for feed. With 194,000 tons annually of new inexpensive DDGS for feed, our locally raised feed grain prices will drop.

Most local farmers still do not have the “facts and stats” about ethanol plants and DDGS. They will become less enthralled with ethanol the more they learn.

Franklin County has always supported its local farmers. But we cannot do so at the risk of the health, safety, and welfare of farmers, their families, and other area residents and businesses. Nor can we accept the “we want to help the local farmers” argument from Penn-Mar and LIDA, when the facts indicate that the local farmers who grow corn for sale will not get above-market prices, and those who raise animals will be adversely affected by CAFOs that will locate near the proposed Penn-Mar plant.

For more information about ethanol and ethanol plants, go to www.c4aQe.org