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Ethanol plant in Kentucky reaps profits

Gasoline-price rise spurring demand

Associated Press

HOPKINSVILLE, Ky. -- An ethanol plant owned by two groups of farmer investors has turned a quick profit amid strong demand spurred partly by rising gasoline prices.

The Commonwealth Agri-Energy ethanol plant, which opened a year ago, has produced 24.3 million gallons of corn-based fuel.

An expansion that should be completed by year's end will raise the production capacity to 30 million gallons.

"We did better than our projections," plant manager Kevin Smith said.

"We figured in the first year we'd break even."

Instead, the plant turned a \$3.5 million profit that, along with additional profits for the rest of the year, will pay the entire cost of the \$5.5 million expansion.

The plant is owned by the 650 members of the Kentucky Corn Growers' Association and the 2,300 members of the Hopkinsville Elevator Cooperative.

Part of the construction cost was financed with \$9.3 million from the state's tobacco settlement fund that helps farmers find alternatives to growing tobacco.

Smith said the wholesale price of ethanol is about \$1.56 a gallon, equal to the current wholesale price of gasoline.

"As the price of gasoline has gone up, so has the demand for ethanol," Smith said.

"We are getting more and more inquiries ... and more and more interest."



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Ethanol is mixed with gasoline and helps reduce carbon dioxide emissions to meet federal clean air standards.

Smith said about half the plant's ethanol goes to a large blending facility in Louisville.

Most of the rest goes to blending facilities in the St. Louis area and on the East Coast.

Smith said demand should increase as smaller suppliers learn the formula for blending.

In its first year, the plant bought 8 million bushels of corn, mostly from Christian County farmers.

"That is a brand-new market for them that didn't exist a year ago," Smith said.

The market area will expand as the plant expands, he added.

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