

The Andersons to enter ethanol production

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The Andersons Inc. is again getting into a potentially big growth industry.

The Maumee agribusiness became a major player in railcars after that industry underwent consolidation, and that niche has become profitable. Now, the firm plans to open two ethanol plants just as interest is increasing in the gasoline additive made primarily from corn.

Hal Reed, president of the grain division, said the company started researching ethanol four years ago after getting calls from companies wanting to buy corn for planned plants. That whetted the appetite of Andersons executives, who decided they could run the operation more efficiently than others.

"We looked at the industry and it was a natural extension; we could see there was a big change coming and we needed to be a part of it," said Mr. Reed.

The federal Energy Policy Act of 2005 calls for annual production of 7.5 billion gallons of ethanol by the year 2012. That output would be essentially double the amount to be generated this year, according to the Renewable Fuels Association in Washington.

Ninety-one ethanol plants are operating nationwide and 21 are under construction, but few are as large as the \$141 million plant The Andersons announced last week. That plant, to be in Clymers, Ind., is expected to produce 110 million gallons of ethanol annually.

"This plant would be one of the larger plants out there," said Matt Hartwig, a renewable-fuels association spokesman. The average is 40 million to 50 million gallons annually, he said.

The local company has an \$86 million plant under construction in Albion, Mich., to produce 55 million gallons annually. Another firm, Great Lakes Ethanol LLC, is building a 50 million-gallon plant near Blissfield, Mich. A \$70 million plant is planned near Lima, Ohio.

Ethanol typically is mixed with gasoline, often making up 10 to 15 percent of the blend at the pump. Some gasoline has as much as 85 percent ethanol, but it is usable only in specified vehicles.

The size of the area ethanol plants, although large in the industry, pales compared with a typical oil refinery. Sunoco, for example, has five domestic refineries that have the capacity to process 890,000 barrels of crude oil a day.

Ethanol is shipped by rail or truck to blending facilities to be mixed with gasoline before it is delivered to gas stations.

If The Andersons' increased presence in the railcar industry is any predictor, the company's bottom line could be in for a big boost when the ethanol plants are running.

The railcar unit, which has nearly 19,000 cars under its control, had profit last year of \$59 million, up 68 percent from the previous year.

The Andersons picked the north central Indiana site for the ethanol plant because it has 13 agriculture-related business units nearby, including four grain terminals that handle more than 50 million bushels annually.

The company handles or trades close to 150 million bushels of corn a year, and its two ethanol plants would consume over 100 million bushels a year, Mr. Reed said. That means the firm will need more corn to feed the plants as well as to accommodate its other grain customers, he said.

The ethanol industry is positioned for rapid growth, said Sam Spofforth, executive director of the Central Ohio Fuels Coalition, at Ohio State University's Office for Automotive Research.

Recent high gasoline prices and Americans' concern about the security of the nation's refinery resources means alternative fuels are getting a lot of attention, he said.

"I don't know of any other plants of that size in our part of the country," he said of the newest plant by the Maumee firm. "It's certainly very good news."

Customers seeking the ethanol, mostly oil companies, likely will be from across the eastern United States, Mr. Reed said.

Despite such optimism, there are naysayers. The critics point to how closely ethanol's price is tied to that of gasoline and thus to the price of crude oil. An earlier ethanol boom largely went bust in the 1980s when oil prices fell.

An analyst who follows The Andersons said he doesn't know enough about constructing an ethanol plant to say whether it is a smart move for the company. But, he said, he trusts the executives' instincts.

"I know they looked into it very hard and they believe it will generate an above-average economic return," said Mark Hughes of Lafayette Investments in Maryland. "They've been right on so many things in the past, I'm inclined to say they're doing the right thing."

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