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Ethanol Blend Hike May Require Half of U.S. Corn Crop (Update2)

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By Alan Bjerga

June 9 (Bloomberg) -- A proposed increase in ethanol use in gasoline would require planting as much as 111 million acres of corn and using almost half of the crop for the fuel by 2015, according to a study by the U.S. grocery industry.

Boosting the amount of biofuels allowed to be blended in gasoline could make last year's record corn prices "look like a walk in the park," **Bill Lapp**, an agricultural analyst who conducted the [study](#) commissioned by the Grocery Manufacturers Association, told reporters today in a teleconference.

The [Environmental Protection Agency](#) is considering raising the amount of ethanol that may be blended into standard gasoline from the current 10.2 percent to as much as 15 percent, a move opposed by some environmental groups, automakers and food companies. An increase is backed by trade groups representing biofuels producers including [Archer Daniels Midland Co.](#) and Poet LLC. The comment period on the proposal ends July 20.

Assuming acreage increases, Lapp concluded that a 15 percent blend would use 48 percent of the corn crop by 2015 and a 12 percent blend would consume 42 percent.

U.S. corn inventories before the 2010 harvest will fall 28 percent from this year to 1.145 billion bushels, the least in three years, as farmers plant fewer acres and demand improves for food, animal feed and fuel, the Department of Agriculture said in a May 12 report.

Acreage Estimates

The USDA estimates about 85 million acres (34.4 million hectares) were planted with corn earlier this year, which will produce a crop of 12.1 billion bushels. About 34 percent of the harvest will be used to make ethanol, the department said.

Other groups opposed to increasing the so-called "blend wall" for ethanol include the American Meat Institute, the National Chicken Council, the National Turkey Federation, the National Restaurant Association and the Snack Food Association, all members of a group named Food Before Fuel, which [published](#) the study.

Raising the blend wall would be a boon to the biofuels industry, which is struggling amid volatile corn costs and lower fuel demand. At least 10 ethanol companies have sought Chapter 11 bankruptcy protection in the past year. On May 28, Biofuel Energy Corp. said it received a notice of default from its lenders.

'Minor' Impact

Russ Korves, an economic-policy analyst at [ProExporter Network](#), an agricultural consulting and research company, said farmers would meet any increase in demand through greater productivity.

"We would think the impacts would be strictly minor," Korves said today in Washington. He cited a University of Missouri report released last week that said U.S. corn futures would rise by 4 cents a bushel, and ethanol by 4 cents a gallon, if gasoline contained a 15 percent biofuels blend.

Korves spoke at a news conference in Washington organized by a pro-ethanol group, but on a separate issue than the blend wall.

Tom Buis, the chief executive officer of Growth Energy, a Washington-based alternative-energy trade group, said Lapp's study represents a new round of food-versus-fuel lobbying to stop the growth of the U.S. biofuels industry.

"Big food manufacturers are trying to stand in the way of this progress," he said in an e-mailed statement.

Corn futures for July delivery rose 9 cents, or 2.1 percent, to \$4.44 a bushel on the Chicago Board of Trade. The most-active contract has gained 9.1 percent this year, partly on speculation that rain would delay planting of the U.S. crop, cutting seeded acres and curbing yield potential. Still, the price is down 44 percent from

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a record \$7.9925 a bushel on June 27, 2008.

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