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Local ownership of ethanol plants: What are the effects on communities?

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ABSTRACT

The rapid expansion of ethanol plants across the U.S. state of Iowa has fueled debate about the burdens and benefits of local (in-state investors) versus non-local ownership of biorefineries. Central to these concerns is the extent to which non-local, absentee owners might reap the benefits of the ethanol industry at the expense of local communities. A key argument within the rural development literature is that local ownership of firms has a positive effect on the long-term well-being and sustainability of the communities in which they are situated. This literature asserts that firms operate at different scales, with local firms embedded within local supply chains and institutions, and non-local firms embedded within national and international networks and institutions. Conversely, there is a growing body of work within the alternative agrifood systems literature that cautions against the 'local trap'; the assumption that the local scale is inherently good and therefore advantageous. Despite this broader debate, the literature on local ownership and renewable energy remains limited. This paper addresses this gap by drawing on case study research of the community effects of ethanol plant ownership structure from the perspective of community leaders. My findings suggest that differences between the structure and effects of local versus non-local ownership of firms on communities are rather more ambiguous than the literature asserts. Therefore, assumptions about the benefits of local ownership may be overstated and concepts of 'local' and 'non-local' may be inadequate for considering firm outcomes on the civic welfare and socioeconomic well-being of a community.

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1. Introduction

In Iowa, the United States leader in ethanol production, the rapid expansion of ethanol plants has fueled debate among scholars and the public about the burdens and benefits of local (in-state investors) versus non-local (out-of-state or foreign corporate investors) ownership of biorefineries for rural communities [1–3]. Early development of the industry was spearheaded by farmer-owned cooperatives who built plants as a means to secure a market for local corn and add value to their agricultural products. Individual processors also played

an important role, whereby local business people and wealthier individuals invested in plants [4]. In 2007, more than half of Iowa's 26 existing ethanol refineries were locally-owned. However, as the industry has expanded ownership has begun to shift as major agribusiness companies and others, such as Cargill and Poet, have sought to take advantage of government subsidies for biofuels, the growth in national demand for ethanol, and its growing investor returns.

This shift has raised broader concerns—not just in the US but around the globe—about the extent to which out-of-state or corporate investors might reap the benefits of ethanol

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