

## U.S. Ethanol Policy; Impacts on Corn Market

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### Summary

Ethanol blended gasoline is currently used as a cleaner burning automobile fuel to deal with environmental, energy and agricultural problems in the United States. The Clean Air Act-Amendments of 1990 mandated the use of two oxygenated gasoline such as ethanol and MTBE (Methyl Tertiary Butyl Ether) and both fuel's consumption expanded. In 1999, California State pointed out that MTBE could contaminate ground water. For this environmental reason, 17 States decided to ban the use of MTBE in transportation fuels. It is estimated MTBE will phase out and this will lead ethanol as the only alternative to replace MTBE. It is assumed that ethanol consumption will increase as a result of MTBE phase-out. World crude oil price, support to ethanol market and corn market can impact on ethanol market. The crucial factors to impact on ethanol market are MTBE phase-out and Ethanol state Floors. It is assumed that ethanol consumption will increase by MTBE phase-out and Ethanol state Floors. If U.S. corn production can't catch up with ethanol consumption, it is assumed that U.S. corn export will be eliminated. The elimination could impact on international corn market. This could impact on Japanese feed markets, because Japan depends on U.S. corn market heavily.