U.S. Ethanol: Industrial Organization and International Trade

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As crude oil prices continue to rise and the earth’s petroleum reserves are continually depleted, ethanol has developed to meet the international demand for alternative automotive fuel sources. This study analyzes the industrial organization of the United States, ethanol production industry as well as trends in the percentage of farmer owned production capacity. As an emerging industry there is still much to be determined about the appropriate structure of the U.S. ethanol production industry as well as the structure of the international trade policy which will help to shape it. Through an analysis of the historical trends in percentages of farmer owned capacity with respect to overall market concentration as well as the effects of a removal of the international trade barriers to ethanol, this study looks to predict the resulting industrial organization of U.S. ethanol production and its appropriateness.