

The Big Corn Con....

You heard it early here. One area where innovation has a lot of traction at present is in “alternate energy” and my last newsletter discussed how public policy (specifically the much-touted bio-ethanol policy) is dysfunctional. Yes, bio-ethanol has appeal as an alternative to petroleum, but the basic science behind present U.S. subsidies and tax policy is deeply flawed.

Bio-ethanol from sugar cane (as in Brazil) works well due to an energy margin of about 10:1. Unfortunately, bio-ethanol from corn doesn't save petroleum. Corn-based ethanol has an energy margin of 0.7-1.3 to one. You use almost as much oil, consume water, tie up land, and run up food prices. There's no energy win, but, because of government subsidies, you can still make money.

Corn-based ethanol gets a subsidy of up to \$1.54 per gallon, plus Government leaders from both parties are out there promoting it. There is a 54-cent-per-gallon tariff on imported ethanol and over a 51-cent-per-gallon subsidy (it's a whopping \$1 per gallon for narrowly-defined “biodiesel”) to produce bio-ethanol from corn. The Big Corn business model only works because of subsidies, and since my last newsletter came out this scam has reached the public awareness.

What's amusing is that an innovator has found a way around the “Corn Con” so he can provide cheap ethanol for the U.S. consumer. A few tiny islands in the Caribbean are exempt from the tariff and a Texas oilman, Ron White, has what is perhaps the business quote of 2007. “Avoiding the tariff, that's the economics of our business.” He's gaming the tax code by importing cheap ethanol from Brazil to give American consumers what they want. (WSJ, 4/13/2007).

Many corporations and a number of states have now noticed this tariff is bad policy. They want it repealed so citizens can get cheap ethanol. Naturally, this has the corn lobby in Congress hopping mad and scrambling frantically to plug the so-called Caribbean loophole. And there's more.

John G. Melo, CEO of Amyris Biotechnologies suggested, “Why not look for better solutions?” **Good point.** Few experts think we'll be using ethanol in 25 years. Promising alternatives include waste fat from poultry, beef, and pork, along with synthetic gasoline, bio-butanol, etc.

Why would America tariff to discourage importing alternatives to petroleum? Why should Congress micro-manage by selecting which technology to subsidize? “Policies should not discourage new technologies,” says Louis Burke of ConocoPhillips. But they so often do, and, in this case, petroleum independence – strategic to our prosperity and national defense – is put at risk.

Congress had a longtime, proven, non-partisan source of non-biased science information, the [Office of Technology Assessment](#). OTA was quietly abolished for “cost saving” in 1995, but ignorance rarely results in cost savings. Neither does taking science advice from lobbyists.

Report from Innovation Space....

We've lost a lot of knowledge about effectively linking innovation to business results over the last decade. A friend was helping me find who sponsored innovation at his large public firm. My goal was a venue for my new talk [Practical Innovation](#).

He found the contact, but the word came back they weren't interested in such a talk, that it didn't meet their needs. I've always found one can learn a lot from people who don't like your products (the fact that people really don't like Microsoft's Vista, and why, might be something worth pondering, but I digress). So I asked him, "Why not?"

The answer I got back was that the company didn't have any problems getting people to be interested in innovation. Their only problem was minor: Selecting what programs to do.

I'm sure this was both an accurate and honest assessment of their perceived need. Of course people, especially engineers and scientists, want to innovate. And it's always been hard to pick winners and losers beforehand. But my talk has little to do with motivation or picking winners.

What's the huge problem in innovation today? What's different now from ten years ago when the Internet was burning brightly, or twenty years ago when WINTEL was ascendant?

Here's my answer: ***I think it is much more difficult to make money from innovation than it was in the past.*** Expert help is needed, now more than ever. The problem is not finding clever ideas. The problem is turning them into products and business models that make money. It used to be you could prosper from innovation almost accidentally, but now even the best firms struggle.

You don't believe me? Here's a simple example. What if you had an inexpensive cure for cancer, one proven to work? Assuming you had this, could you make a lot of money?

You think so. Are you **sure**?

I'm not. Science has improved greatly, but business innovation, the art of making money from something unique, has become more difficult. There are several reasons for this. Here's one:

One [artifact](#) of Globalization is that the body of law in the West, particularly in America, has been [shifted](#) from protecting the "new" to protecting incumbents. America's 200 year old, best-in-the world, patent system was totally rewritten in the interests of "harmonization" in 1999. Intentions were good and most economists accept the theory, but there are unintended consequences from legislating and regulating the world into "flatness." Innovation is the opposite of flatness.

Innovation is about creating unique and hopefully sustainable competitive advantage. It's about mountains and valleys, not flatness. It's about uniqueness, not lowest common denominators.

I'm going to offer you the cancer cure I alluded to. Assuming it works (this can be verified), is it possible to make money from it? Well, I've helped clients and employers make (literally) billions from innovation over my career and I don't know how to make money from this one. Do you?

In 1930, biochemist Otto Warburg proposed that changes in the way cells generate energy turns them cancerous, a view out of the mainstream. Dichloroacetate (DCA) treats disease by helping mitochondria generate energy. It also kills cancer cells in culture. DCA is not patentable so big pharma will not pursue it, even though DCA is cheap, does not affect normal cells, has only mild side effects, and should work on all cancers. (No Patent? No Thanks; New Scientist; January 20, 2007)

If you have a plan that might make money from DCA, please contact me and I'll feature your answer in my next newsletter. (Big Pharma apparently does not, but similar, patentable compounds are under development – at far higher prices.) One more thing, before you answer.

A new FDA "guidance" [document](#), published on the FDA's website, reveals plans to reclassify virtually all vitamins, supplements, herbs and even vegetable juices as FDA-regulated drugs. Massage oils and massage rocks will be classified as "medical devices" and require FDA approval. The [document](#) is called Docket No. 2006D-0480. Draft Guidance for Industry on Complementary and Alternative Medicine Products and Their Regulation by the Food and Drug Administration.

If this Docket passes into regulatory [law](#), I'd expect the use of natural substances for health care will be Napsterized. You could go to jail for using DCA. Please factor this into your answer.

In any case, I argue that – in general and in most industries – it's a lot harder now to make money from innovation than it was a few years ago. And how to make money from innovation is what my talk is about. Without an ability to make money, I don't think motivation matters much to business.

Do you want to save your company? Invest in the future....

A single day's investment in innovation can make a huge difference for your company. More and more firms are coming to realize the ability to innovate is a survival issue. If you agree, you need to hear my new talk to learn why this is so, what has changed, and what to do. My seminar, [Practical Innovation](#), shows you how to get results from innovation.

The target audience is Upper Management, Innovation Teams, and Middle Managers responsible for new product development and strategy. I've been doing this for a long time, but this talk is new. For the first time I have approaches that will work no matter where you are in "innovation space." The feedback from the test sessions I've presented to senior managers is very positive.

If you are interested in developing your organization's innovation potential and performance, this interactive program will show you how and help you get started. If you're not, it will tell you why you should be. The time required is one hour, and open Q&A is provided. Please contact us for more information and see <http://www.trudelgroup.com/Talk2007.pdf> for testimonials and an overview.

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“Were we directed from Washington when to sow, when to reap, we should soon want bread.”

Thomas Jefferson

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