

WASHINGTON - General Motors Corp is taking another stake in a company focused on developing ethanol from sources other than corn, the automaker said on Thursday.

Mascoma Corp is testing its process for converting biological wastes -- plant matter, grasses, wood chips and other non-grain sources -- to fuel. It expects to start producing ethanol later this year at a demonstration plant in New York state.

There is growing concern among international aid groups and others that diverting a sizable percentage of America's corn harvest for ethanol production has helped to drive up crop and food prices.

In January, GM announced it was taking a stake in Coskata Inc of Warrenville, Illinois, a biofuels company looking at sources of energy including garbage, old tires and plant waste.

"These investments in leading edge firms supports belief that ethanol has the greatest near-term potential as a clean-burning, renewable fuel that can help reduce oil dependence," GM President Fritz Henderson said in announcing the Mascoma deal.

Henderson would not disclose the size of the equity stake in Boston-based Mascoma, which is privately held. Mascoma said its technology is designed to produce ethanol more efficiently and at lower cost.

President George W. Bush has promoted producing ethanol from cellulose sources like crop wastes and grasses as an alternative to grain, but some critics say it will take years to bring it to market.

US gasoline prices are at all-time highs, prompting automakers, already under pressure from the government to make more efficient vehicles, to consider more ways to conserve fuel.

More than three million GM cars and trucks on US roads are "flex-fuel" capable, meaning they can run on either gasoline or an ethanol/gasoline blend, called E85.

But there is little infrastructure in the United States to deliver ethanol and other alternative fuels to most consumers so most "flex-fuel" vehicles run on straight gasoline.

GM is also developing an electric vehicle, the Volt.

Consumer preferences, seen in declining US sales for Detroit-based auto manufacturers, is continuing to shift from truck-based sport utilities to more fuel-efficient, smaller designs.

Congressional negotiators trying to complete a new farm bill are proposing to reduce a tax credit for producers of corn-based ethanol and create one for those that make cellulosic fuel.

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REUTERS NEWS SERVICE