Bush administration plans gasohol giveaway to Archer Daniels Midland

by Marcia Merry

At the same time that an oil embargo is being imposed on the world by President Bush and British Prime Minister Margaret Thatcher, driving up the price of oil, the Bush administration is moving to give billions in taxpayers' dollars in subsidies to the grain cartels for production of economically inefficient corn-based fuels, thus robbing the food chain and leading the world toward greater starvation and misery.

While ethanol-blended fuels are being promoted as good for the nation, the policy is more accurately described as good for Archer Daniels Midland (ADM), which owns 75% of production capacity for ethanol fuels.

During September in Iowa, an appeal was scheduled in an eight-year-old anti-trust case against ADM, on which ADM had been acquitted of charges that the company has an illegal monopoly on producing fructose from corn, the sweetener that has all but replaced sugar in soda. Since the U.S. Department of Justice is bringing the appeal, it is expected that it will be for show and ADM will continue to enjoy its monopoly despite the fact that ADM accounts for over 40% of U.S. corn sweetener output.

Moreover, ADM has almost total control of producing "gasohol"—gasoline with ethanol added—and now expects to receive huge government giveaways because of the Middle East crisis.

ADM right now distills at least 70% of the corn-based ethanol produced in the U.S. As the price of oil has skyrocketed in recent weeks, so has the price of ethanol. In August, ethanol went up by 30¢ a gallon, and will probably rise by an equal amount in September.

The government, acting as the promotion agent for ADM, is leading the stampede for vast increases in corn-for-fuel on grounds of fuel needs, clean air, aid to farmers, and many other self-serving rationalizations.

On Sept. 13, the U.S. Department of Agriculture issued a gushing press release that began:

"Following President Bush's initiative to reduce America's dependency on foreign oil, Secretary of Agriculture Clayton Yeutter today announced a new departmental policy that requires employees to use ethanol or ETBE-blended gasoline [ETBE is an ether fuel additive, also made from corn] in all U.S. Department of Agriculture-owned and leased vehicles when such fuels are available at prices comparable to regular unleaded gasoline.

" 'Using ethanol-blended gasoline in USDA cars and trucks is an opportunity to promote a 'win-win' situation,' Yeutter said. 'Ethanol is produced from American corn and other agricultural products, and that's good for American farmers. But it also helps reduce our dependency on foreign oil; and, as the President pointed out in his address to Congress [on Sept. 11 on the prospects for war], that's especially critical right now. . . . This is a great way for each of us, as individuals and as members of USDA, to demonstrate our commitment to America's farmers, America's environment and America's future,' Yeutter said."

Reality says differently. Use of ethanol as a fuel does not help farmers, harms the environment, and foredooms future generations. Nevertheless, the government is on a rampage for ethanol, in effect, on behalf of the interests of ADM, and has published a stream of government reports on ethanol use over the last two years.

Economic insanity of ethanol fuels

Changes to the Clean Air Act sponsored by Rep. Bill Richardson (D-N.M.), would make ethanol-blended gasoline compulsory. The proposal calls for the use of between 2.7-3.1% ethanol or other alcohol blends in 27 "ozone non-attainment metropolitan areas" and in 16 "carbon monoxide non-attainment metropolitan areas," respectively.

This amendment is as unscientific and as disastrous in its potential impact, as the Clean Air Act itself.

First, consider the gross inefficiency of ethanol as a fuel. Ethanol is one of several alcohol compounds, including ethers such as methyl tertiary butyl ether (MTBE) that can be manufactured. These compounds are oxygenates, in a form that can be added to gasoline which otherwise lacks oxygen, and make for a burning process in internal combustion engines that is supposed to result in cleaner emissions.

Ethanol can be produced from almost any biomass or other commodity that contains carbohydrates. Brazil has used vast amounts of sugar cane for fuel alcohol, and in the United States, corn is used as the feed stock for ethanol. Last year, close to 840 million gallons of ethanol were produced in the United States, as compared with 115 billion gallons of gasoline.

However, the hitch is that ethanol yields only one-third to one-half the energy it takes to make it.

Most of the U.S. ethanol is produced from the "wet milling" processing of corn. About 60 ethanol plants are now operating in 23 states, but only eight giant plants produce most of the output and they are owned by five companies, with ADM alone accounting for 75% of capacity.

ADM has benefited from waves of government subsidies. Ethanol is exempt from six of the nine cents of the federal excise tax through the year 1993. At the beginning of this year, this subsidy amounted to 60¢ a gallon. In addition, there are state and local tax breaks amounting to another 20-30¢ worth of subsidies per gallon.

Now, with the price of oil skyrocketing, ADM is situated to rake off profits no matter how inefficient ethanol is to make. Ethanol blends of gasoline were considered "competitive" (with the government subsidies) at $20 a barrel oil, and now oil is at $40 per barrel.

Farmers, environment gain nothing

Don't believe any of the propaganda on how all of this benefits the farmer. The price of corn is down below $2.50 a bushel, which is less than 50% of parity—the price at which the farmer covers his costs of production and makes enough return to be able to continue to capitalize to produce in the future.

ADM and the other cartel companies that handle grains, soybeans, and all staple commodities worldwide—Cargill, Continental, Louis Dreyfus, Bunge, Garnac-André, Ferruzzi-Central Soya—all collude to underpay farmers. There is no "law of supply and demand" that mitigates this systematic underpayment, and the USDA condones the process.

Falling into line, leaders of the crop commodity associations and farm-state congressmen are clamoring for even more favorable treatment for the "ethanol industry," which in practice means Archer Daniels Midland. The argument for the gullible is that there will be a "trickle down" of profits to the farmer.

The representatives from Iowa and Illinois—the nation's top corn states—vie for "most gullible." Eleven congressmen, led by Rep. Jim Leach (R-Iowa), in early September went to Secretary of Energy Adm. James Watkins to submit to the President an executive order requiring the use of ethanol in all government vehicles and other ethanol boosting measures. The Iowa Farm Bureau and the national office of the American Farm Bureau are asking for an extension of tax breaks for ethanol beyond the 1993 cutoff date.

There is the equally bogus defense of ethanol additives in terms of alleged benefit to the environment.

The safest and cleanest form of transportation is, in fact, mass transit using magnetically levitated trains and high-speed rapid transit that can move millions with speed and safety. Tinkering with the internal combustion engine and its exhaust pipes will not do the job.

Moreover, the requirement for growing large amounts of biomass—the thousands of bushels of corn—will deplete the soils and related resources of the agriculture sector for no good reason. This is especially true under current conditions in which underpaid farmers cannot afford the fertilizers, anti-erosion improvements, and other measures needed to continue to maintain soil fertility.

The ethanol lobby ignores this environmental degradation and instead calls ethanol a "renewable" resource based on their misconception that you can grow corn every year without adequate inputs.

It takes close to half a bushel of corn to produce a gallon of ethanol. To produce the U.S. output of ethanol last year required over 385 million bushels of corn, or 12% of the entire annual corn harvest. In 1981, less than 2% of U.S. corn utilization (for all purposes) was for ethanol production; by 1989, nearly 5% was for ethanol output. If the Clean Air Act is passed, an additional 1.29 billion bushels of corn would be needed annually, according to analyses by Sparks Commodities, Inc.

Sparks called this an "economic shock" and said in a May report: "While the impact of the creation of such a large, new grain requirement would depend heavily on how the program was introduced and the amount of preparation undertaken by the government and others, it would mean an unprecedented increase in demand and a substantial economic shock to the sector. The initial impact would be on domestic corn consumption for livestock feed, corn sweeteners, food and other industrial products. . . . The result would be sharp reductions in U.S. feed grain stocks and increases in prices by as much as 35%."

The cost of food to the consumer would escalate dramatically. Meats and milk prices would be most pressured, with a minimum increase of 12%. The food assistance programs would be devastated.

During the 1980s, the national food assistance programs of all types experienced an increase of 50% in expenditures—mostly to keep up with food inflation. The bulk of this was for the Food Stamp Program.

However, to re-direct a major portion of U.S. agriculture *out* of production for the food chain and into production for fuel, will have disastrous consequences all the way around.

The sugar cane gasohol program in Brazil is a well-documented catastrophe. There, energy officals document that the alcohol producing program itself consumes 22,000 barrels of diesel fuel per day, which is 5.5% of Brazilian diesel consumption. If all the trucks in the canefields used alcohol, they would consume 60% of the total alcohol output of cane ethanol.

Because millions of acres of prime farmland has been taken out of food production and planted with sugar cane, hunger and malnutrition in Brazil have worsened needlessly. The cane gasohol project—which expects to produce 3.1 billion gallons of alcohol this year, is a gigantic tax break for the "cane lobby," just as the ethanol game is a giveaway for Archer Daniels Midland.