U.S. Energy Situation, Ethanol, and Energy Policy

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Breakeven Corn and Crude Prices with Ethanol Priced on Energy and Premium Bases plus Ethanol Subsidy
Breakeven Corn and Crude Prices with Ethanol Priced on Energy and Premium Bases plus Variable Ethanol Subsidy

- Energy basis
- Price premium for octane/oxygen
- With price premium and variable subsidy ($60/0.025)
Policy Impacts

- The current subsidy can lead to very high corn prices – beneficial to corn farmers but not to livestock producers or consumers.
- With next year’s ethanol production at 8 bil. gal., the subsidy will cost $4 bil., but price related commodity payments the past 4 years have averaged $5.3 bil., and those will fall.
- If we continue down the current path, it is possible the ethanol support will face considerable political opposition.
- The variable subsidy is an option.
Thanks very much!

Questions and Comments

For more information:
http://www.ces.purdue.edu/bioenergy