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Beyond the Farm Bill: Energy and Trade Important to Agriculture

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Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

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Market Report	Yr Ago	4 Wks Ago	5/24/02
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt	\$76.78	\$64.54	\$63.72
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt	100.04	*	*
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	100.05	89.08	91.96
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt	119.24	104.10	103.84
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt	52.00	31.00	30.00
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd	*	37.50	16.00
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	104.70	95.90	106.20
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt	*	57.50	71.87
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	174.60	142.62	145.15
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W. Omaha, bu	3.24	2.86	2.85
Corn, No. 2, Yellow Omaha, bu	1.67	1.84	1.88
Soybeans, No. 1, Yellow Omaha, bu	4.31	4.49	4.78
Grain Sorghum, No. 2, Yellow Kansas City, cwt	3.24	3.34	3.39
Oats, No. 2, Heavy Minneapolis, MN, bu	1.50	1.93	2.17
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton	115.00	115.00	112.50
Alfalfa, Lg. Round, Good Northeast Nebraska, ton	82.50	70.00	60.00
Prairie, Sm. Square, Good Northeast Nebraska, ton	105.00	80.00	90.00
* No market.			

It depends on the competition. Stories with the biggest, boldest headlines in today's newspaper might not even rate front-page coverage tomorrow.

The 2002 Farm Bill has dominated agricultural news for months. But two other policy initiatives in Congress also could have important impacts on Nebraska's farmers. The first is a comprehensive energy bill, particularly its provisions for renewable fuels. The other is a "trade promotion authority" bill. Both probably would have received considerably more attention, had it not been for the farm bill's timing.

The House and Senate have each passed versions of the energy and trade bills. Conferences to resolve differences in the bills are next on the agenda. Nobody expects these conferences to be easy; they could go on for weeks, if not months.

The Energy Bills

Passage of a comprehensive energy bill has been one of President George Bush's highest priorities. The urgency of doing so accelerated in the early months of his administration, as gasoline prices skyrocketed and Californians faced electricity shortages.

In general, the administration favors additional energy production. Some members of Congress, in contrast, want to emphasize conservation. These positions have formed the axis for much of the debate over the past year. Expect that pattern to continue in the conference.

From agriculture's perspective, many of the potential benefits are in the Senate bill. Perhaps the



most important is a provision that would require electricity suppliers to produce 10 percent of their power from renewable fuels by 2020. Today, only about 2 percent of the nation's energy comes from renewable sources. If this provision holds, energy producers who use wind, solar or biomass sources could benefit greatly.

Ethanol is singled out for special attention. By 2004, refiners would be required to blend at least 2.3 billion gallons of ethanol into motor fuels. Yearly production now is about 2 billion gallons. The ethanol quota would keep rising through 2012, when it would reach five billion gallons annually. Presumably, corn and sorghum would provide most of the feedstock for these plants.

Both the Senate and House energy bills call for tax incentives to accomplish energy goals over the next 10 years. The House package of incentives is projected to cost \$34 billion, much more than the \$14 billion projected in the Senate bill. However, the latter makes specific reference to renewable fuels. Presumably, any new incentives would be in addition to the tax break of 53 cents a gallon that ethanol already receives.

Not surprisingly, a number of agricultural groups have given strong support to the Senate bill. At the same time, opposition is bitter in states like California and New York. Sen Dianne Feinstein (D-Calif.) calls it "...a wealth transfer from every state in the union to a handful of ethanol producers." No wonder a bruising conference likely lies ahead.

The Trade Promotion Authority Bills

The Senate approved a trade promotion authority bill just prior to breaking for the Memorial Day holiday. This followed House passage of a parallel bill – by a one-vote margin – a couple of months earlier.

Trade promotion authority is the moniker the Bush Administration has given to what used to be called fast-track authority. Whatever the name, the idea is the same: After the Executive Branch negotiates a trade agreement, it would be confirmed by a straight up or down congressional vote. Allowing Congress to amend trade pacts could extend negotiations with potential foreign trade partners indefinitely. In fact, some countries flatly refuse to negotiate deals that can be picked apart by the U.S. Congress.

President Bill Clinton sought fast-track authority

without success several times in the late 1990s. Thus, Congress is perhaps closer to passing legislation than at any time since prior legislation lapsed in 1994. Still, it is not a lock.

The Senate bill would provide significant funds to American workers to protect them from the downside of trade expansion. The House has no such provision. While this is an important difference, it is by no means insurmountable.

More importantly, at least to the Bush Administration, the Senate bill limits the straight up or down ratification vote in a significant way. Specifically, Congress would retain the right to vote separately on any provision that would weaken anti-dumping laws. A bi-partisan coalition in the Senate argued that such a provision is necessary to combat subsidized exports from other countries. At least to this point, however, the Senate provision is a non-starter with the President. Look for the House negotiators to try to remove it in the conference.

Agricultural groups have split on the Senate amendments. Some think that it's essential to pass trade promotion authority to help open or expand markets. Such opportunities might come either in regional trade pacts or broader actions, such as in the World Trade Organization negotiations. But other groups are more interested in protecting domestic markets from outside interference.

Don't bet against both energy and trade getting their share of the headlines before the summer runs its course.

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