

News from Senator

BOB DOLE



(R - Kansas)

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DOLE, GRASSLEY MOVE TO EASE PRICE CRUNCH ON ETHANOL REFINERS

WASHINGTON -- SENATE MAJORITY LEADER BOB DOLE (R-Kansas) AND SENATOR CHARLES GRASSLEY (R-Iowa) TODAY ANNOUNCED THAT THEY HAVE REQUESTED THE U.S. DEPARTMENT OF AGRICULTURE TO CONSIDER MAKING LOW-COST GRAIN AVAILABLE TO SMALL REFINERS OF ETHANOL FUEL IN THE NEXT FIVE MONTHS TO HELP THE INDUSTRY THROUGH DIFFICULTIES CAUSED BY LOWER OIL PRICES. THE SENATORS MADE THE REQUEST IN A LETTER TO AGRICULTURE SECRETARY RICHARD LYNIG. FOLLOWING IS THE TEXT OF THE LETTER:

As you know, the recent decline in U.S. and world oil prices has been of significant benefit in reducing the energy component of production costs for U.S. farmers. This development is welcome relief in our continuing effort to restore profitability to U.S. agriculture.

At the same time, declining oil prices are putting severe pressure on the small refiner of fuel ethanol, whose production must compete with lower-cost gasoline at the pump. This situation is expected to improve when the lower loan rates in the 1986 farm program allow current grain prices to reach world market levels. However, the lower loans will not take effect for feed grains until September, and a number of small ethanol plants are in danger of shutting down in the interim, further reducing domestic demand for farm commodities.

One way to relieve this temporary problem would be to advance loans or to make CCC grain available to ethanol refiners during the next four or five months, allowing them to repay at the lower loan rate levels that will prevail in the Fall. In effect, a refiner would be allowed to repay a bushel of corn, currently valued at the 1985 loan rate of \$2.55, at the \$1.86 per bushel loan in effect after September for the 1986 crop.

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We realize this approach would single out the ethanol industry for a temporary subsidy, based on the difference in grain prices during the next few months. However, there is currently an overabundance of CCC-owned grain, and major corn belt states are expected to experience a severe shortage in storage capacity during this Fall's harvest. In addition to relieving distress among small ethanol producers, this step would help ensure that lower oil prices do not undercut long-term efforts to maintain and further U.S. energy independence.

We would appreciate your careful consideration of this issue, and look forward to your response.