

Will The Stimulus Package Help Agriculture?

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With the passage of the nearly \$800 billion stimulus legislation, public reaction is mixed. With 1000 pages in the bill, time will be required to determine how government agencies will interpret and implement its provisions. While the major news headlines have emphasized help for banks, the auto and housing industries, and state governments, those with interests in agriculture may well ask how it will affect them.

For farmers, decisions for 2009 planting will be driven by how the 2008 farm bill is implemented. The new Secretary has asserted that he wants to help farmers but wants to make sure that eligibility for benefits written into the law are strictly enforced. It does not appear that the Stimulus bill covers any of this earlier legislation. However, on farm production and related agricultural industries could be affected by available credit and the incentives for banks to lend the needed funds to produce, market, and process crops and livestock.

Farmers and rural residents may be affected more by how the new legislation provides funds for rural areas and rural communities. Many states are affected by reduced revenues and face serious financial problems. States that use new federal funds to improve rural roads and highways, bridges, local schools, and hospitals will be helping farmers along with others living in rural areas.

The new Administration has emphasized the need to develop renewable energy sources. Ethanol production is only one part of a broad energy policy. During the past few years, the boom in crude oil prices sparked the ethanol industry and new plant construction expanded. Some ethanol plants collected money from investors but some plans for new plants never went forward. The ethanol market, stimulated by government mandate for expanded output, has collapsed as lower gasoline prices have discouraged consumption by consumers and delayed blending by oil refiners. In recent weeks, the E-85 price has exceeded the price of a gallon of regular gasoline. Reduced production and lower demand for ethanol has influenced corn prices.

Some market analysts suggest that crude oil prices in the \$60 to \$70 range would help stabilize corn prices and step up demand for

ethanol. Then ethanol demand and price would stabilize and corn prices would benefit. The Congressional mandate for increased renewable fuels in coming years will also help stimulate corn use for ethanol. But the question remains: When government requires more ethanol production and stimulates the corn market, what are the consequences for livestock producers and consumers whose food products depend on corn as a basic ingredient? Cattlemen and their organizations have criticized the mandates for expanded ethanol production.

Renewable fuel output is also expanding in other countries. The competition will affect ethanol prices in this country as well as abroad. Brazil can produce ethanol at a lower cost by using sugar cane. While U.S. corn farmers may benefit from a tariff on sugarcane produced ethanol from Brazil, would the American consumer benefit from lower priced ethanol produced outside the United States?

Wind power will get increased emphasis under the new law. Rural land owners who lease space for wind turbines will benefit as long as the wind blows and the turbines can continue to operate.

Some members of Congress questioned the immense federal deficit to be created with the vast stimulus package. In some places, unemployment will be reduced. Some new jobs will be created. But will these be enough to bring economic recovery and restore confidence so that people will spend money and encourage businesses to expand? The economic well being of agriculture will also depend upon improving economic conditions in the rest of our national economy.

Some economists have expressed concern about the dangers of inflation. Pumping vast amounts of government money into the economy could pose a challenge for government treasury and Federal Reserve money managers.

Our government has launched a major effort to stimulate the economy, reduce unemployment, and restore confidence so businesses will expand, buy goods and services and hire people to go back to work. Many farm and rural families also work off the farm. The stimulus legislation will either help or cause stagnation for farmers depending on the market for their products and services.

Much uncertainty remains. The stimulus legislation is an untried effort to ease the financial pain faced by many Americans. Only time will tell if it works. Δ

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