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Let farmers take on oil to cut gas prices

By ANNE KORIN

It is strange but perhaps not unexpected that as oil prices soar to record highs alternative fuel opponents have been beating the drums. They have to beat them pretty hard to drown out the cries of pain at gas pumps around the world. At today's prices, foreign oil producers are extracting a tax of more than $1,600 a year from every American man, woman and child.

Every dollar of gasoline yields some 60-70 cents of profit to crude oil producers, including a diverse array of petro-dictators. Rivers of that money are used to foment hatred against the United States, and an ever growing portion is sloshed into Sovereign Wealth Funds, which buy foreign petrocratic governments stakes in key sectors of our economy.

According to Merryl Lynch, without the increase in biofuels production, oil prices would have been 15 percent higher. The International Energy Agency has reiterated that biofuels are key to keeping the lid on an overheated transportation fuel market. So, keeping in mind where most of a gasoline dollar ends up, consider the irony of blaming biofuels in general and corn ethanol in particular for supposedly driving up food prices in light of the fact that at today's prices one dollar's worth of cornflakes yields only 3 cents of revenue to an American corn farmer. Increased demand for ethanol is one among several factors that have increased that American corn farmer's revenue by about one cent on every corn-flake dollar. Yes, one cent.

OPEC's oil production remains the same as 30 years ago despite price increases. Farmers, in contrast, in response to that added one cent of revenue, have done the economically rational thing and increased production, planting more acres and increasing yields per acre, thus driving an increase in U.S. food exports of 23 percent on the year, despite claims by blame-America-firsters and defenders of the status quo that the United States is responsible for world hunger.

Let's set the record straight. The primary drivers of price increases for food commodities spanning the spectrum from fish to rice (neither of which are used to make fuel) and beyond are the massive increases in oil prices -- raising the cost of distribution, labor, packaging and so forth; commodity speculation driven by a weak dollar and increased calorie demand from hundreds of millions of people in China and India who have risen out of poverty and bare subsistence.

The third of these factors is good news. The first two are problems that need to be addressed. And the best way to address the oil price increases is to steer a course toward stripping OPEC of its hold on the world's unmentionables by stripping oil of its strategic value, which derives from its domination of the transportation sector (contrary to beliefs mysteriously held by many politicians, we hardly use any oil to generate electricity these days).

Doing so requires choice at the pump. It costs less than $100 per car to make this choice possible. Flex fuel vehicles, that can run on any combination of gasoline and a variety of alcohol fuels (not just ethanol, and not just agriculture based) look and perform exactly like gasoline only cars, with the added benefit of letting drivers choose what to fill up with. Every new car sold in America should be a flex fuel vehicle.

What would be the impact of this?

More than 90 percent of new cars sold in Brazil this year are flex fuel, driving fuel competition at the pump to the point where the Brazilian oil industry has had to keep gasoline prices sufficiently low to compete with ethanol and not lose even more market share. So low that it actually just received a government subsidy to do so. Competition in Brazil is working so well that a big Brazillian sugar and ethanol firm just bought out the distribution assets of Exxon in Brazil. Think of it: in Brazil, farmers took on oil, and won. Don't Americans deserve to have a choice too?

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