

## Ethanol's Bitter Taste

It was a scant two years ago that Georgia's Saxby Chambliss voted with 73 other giddy senators for an energy bill that required the nation to use 7.5 billion gallons of ethanol. Georgia's farmers loved corn-based ethanol; Georgia's agri-businesses loved corn-based ethanol; and all that meant that then-Agriculture Committee Chairman Chambliss loved corn-based ethanol, too.

Earlier this year, Mr. Chambliss introduced a bill calling for even greater ethanol use, though with one striking difference: The bill caps the amount of that fuel that can come from corn. Turns out Georgia's chicken farmers hate corn-based ethanol; Georgia's pork producers hate corn-based ethanol; Georgia's dairy industry hates corn-based ethanol; Georgia's food producers hate corn-based ethanol; Georgia's hunters hate corn-based ethanol. And all that means Mr. Chambliss has had to find a new biofuels religion.

### POTOMAC WATCH

By Kimberley A. Strassel

The shine is off corn ethanol, and oh, what a comedown it has been. It was only in January that President Bush was calling for a yet a billion more gallons of the wonder-stuff in his State of the Union address, and Iowa's Chuck Grassley was practically doing the Macarena in his seat. And why shouldn't Mr. Grassley and fellow ethanol handmaidens have boogied? They'd forced their first mandate through Congress, corn farmers were rolling in dough, billions in taxpayer dollars were spurring dozens of new ethanol plants—and here was the commander-in-chief calling for yet more yellow dollars. All in the name of national security, too!

Corn ethanol seemed unstoppable, but a remarkable thing happened on the road from Des Moines. Just as the smart people warned, the government's decision to play energy market God and forcibly divert huge amounts of corn stocks into ethanol has played havoc with key sectors of the economy. Corn prices have nearly doubled, which means livestock owners can't afford to feed their animals, and food and drink manufacturers are struggling to buy corn and corn syrup. Environmentalists are sour over new stresses on farmland; international aid groups are moaning that the U.S. is cutting back its charitable food giving, and many of these folks are taking out their anger on Congress.

Call it a case study in how a powerful lobby can overplay its hand. While many members are still publicly touting corn ethanol, privately they are quietly backing away from another round of corn-mania. The most extraordinary sign was the Senate Energy Committee's recent ethanol bill, hailed by Sens. Jeff Bingaman and Pete Domenici as "bipartisan" legislation for more "homegrown fuels." What the committee didn't mention in its press release was that it had built the legislation around Mr. Chambliss's cap on corn ethanol (at 15 billion gallons), and that the rest of the 32 billion-gallon-a-year mandate would have to come from other (still imaginary) sources, say switchgrass. The bill passed 20-3.

It's taken politicians a while to catch on to these anti-ethanol vibes, but they've now got the picture. At an agriculture conference in Indianapolis last fall, Indiana Gov. Mitch Daniels, Agriculture Secretary Mike Johanns and EPA Administrator Stephen Johnson spoke, delivering their

usual fare about how ethanol was the greatest thing since sliced corn bread. They expected warm applause; in the past the entire ag community united around helping their brother corn farmers make a buck. But now that ethanol is literally taking food from their beasts' mouths, much of that community has grown less friendly. According to one attendee, Messrs. Daniels, Johanns and Johnson were later

### Congress is choking on corn-based fuel.

slammed with snippy ethanol questions from angry livestock owners, much to their dazed surprise. Word is that even the presidential candidates—who usually can say no wrong about ethanol while touring the Midwest—are having to be more selective about where they make their remarks.

Things are even hotter in Washington, where lobbying groups are firming up their positions against corn ethanol. The hugely influential National Cattlemen's Beef Association has gone so far as to outline a series of public demands, including an end to any government tax credits (subsidies) for ethanol and an axe to the import tariff on foreign ethanol. Put another way, the cattlemen are so angry that they are demanding free markets and free trade—a first. Maybe ethanol really is a miracle fuel. In any event, expect the ethanol call to get harder for Plains state senators such as Max Baucus, Ben Nelson and Byron Dorgan.

The National Turkey Federation estimates its feed costs have gone up nearly \$600 million annually and is surely letting loose on members from turkey states such as Minnesota and Missouri. The National Chicken Council, which represents companies that produce, process and market chickens, has been hitting the southern political caucus, putting pressure on senators from big poultry states such as Georgia, Arkansas and Alabama. Chicken giant Tyson's, the second largest employer in Arkansas (after Wal-Mart), even felt the need to warn about the effect of rising corn prices on its business in its first quarter earnings statement. Food and drink manufacturers, which rely heavily on corn and corn syrup for their products, are also making the Washington rounds. The Grocery Manufacturers Association this week called for Congress to undertake a study before it imposed a bigger ethanol mandate. Soft-drink companies such as Coca-Cola (of Mr. Chambliss's Georgia) are also up in arms.

From the other side, green groups are grouching about the environmental consequences of intensive corn farming. International aid organizations are complaining that ethanol is raising the overall cost of food and diverting grain from poor countries. Ducks Unlimited, part of Washington's "hooks and bullets" conservation lobby, sported a recent article in its magazine complaining that farmers are taking idle land out of conservation programs—land currently home to ducks—and using it for corn farming again.

All this pressure is beginning to hit home. Ethanol isn't going away anytime soon; you can't unring a bill. But senators are said to be readying amendments to offer to the new ethanol bill that would use triggers or waivers to further water down the corn element. Turns out there are huge economic consequences to Congress micromanaging energy policy, and all to aid its campaign donors in agribusiness. A lesson the U.S. is now learning the hard way.

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