

# U.S. Agricultural Policy and Energy

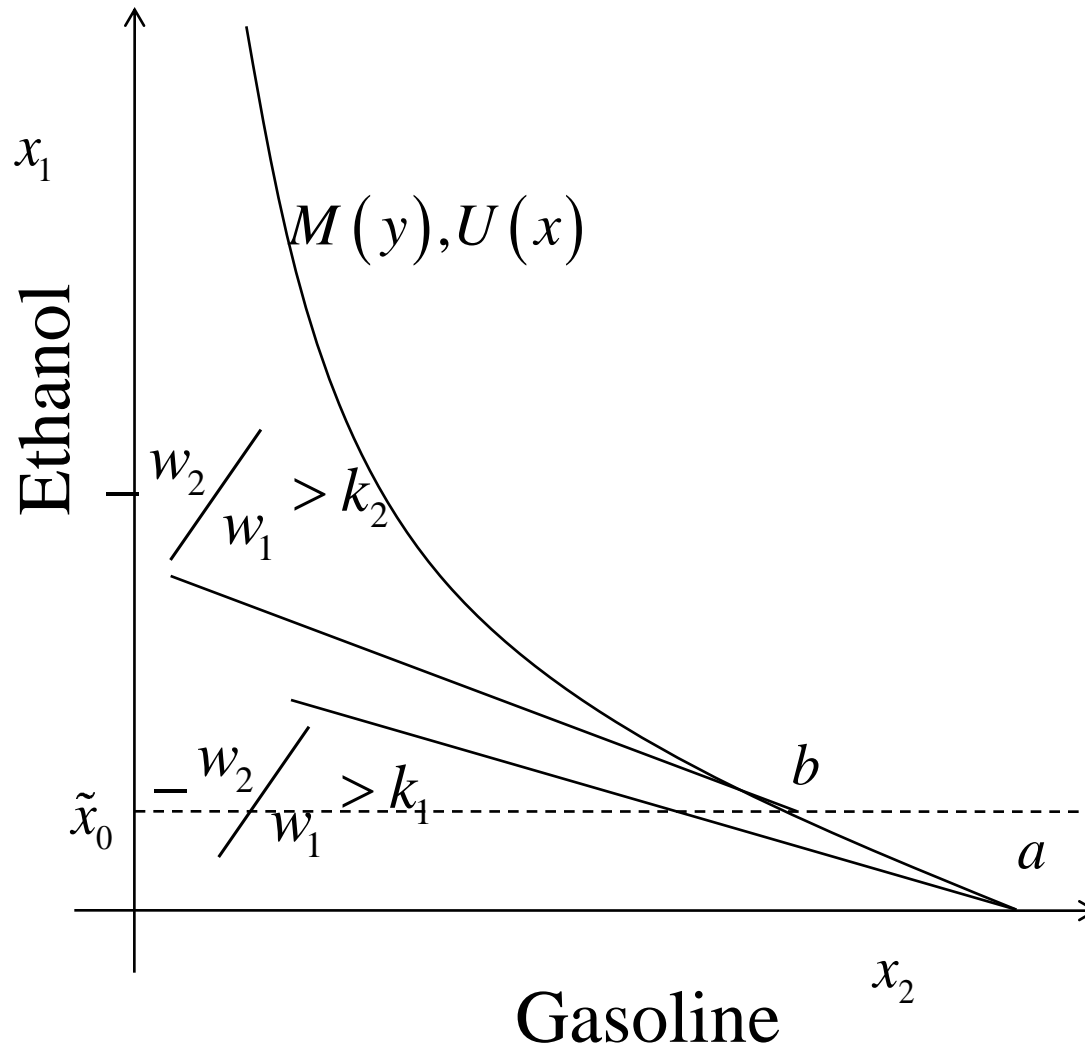
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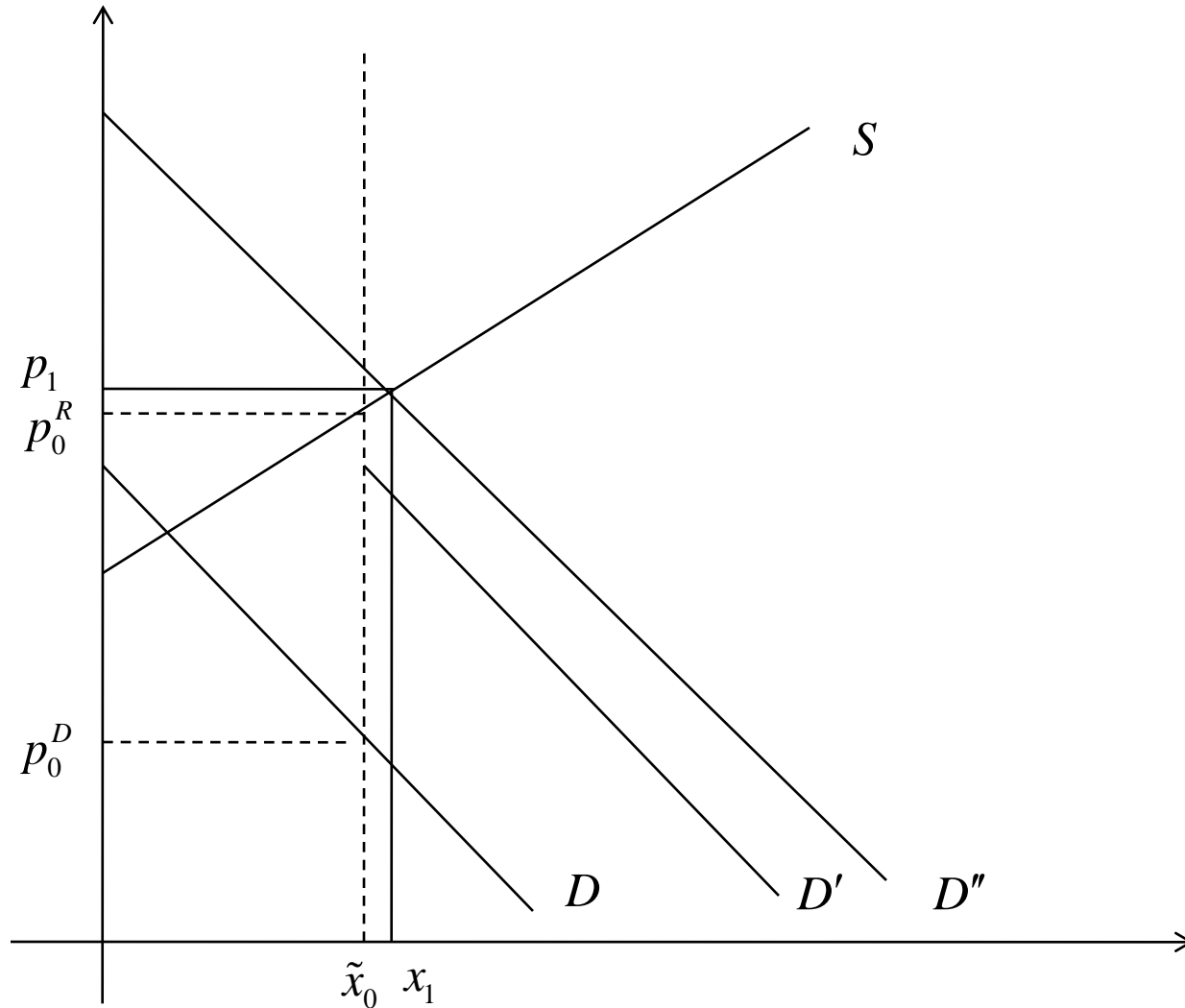
# Consumer and Producer Choice of Ethanol and Gasoline

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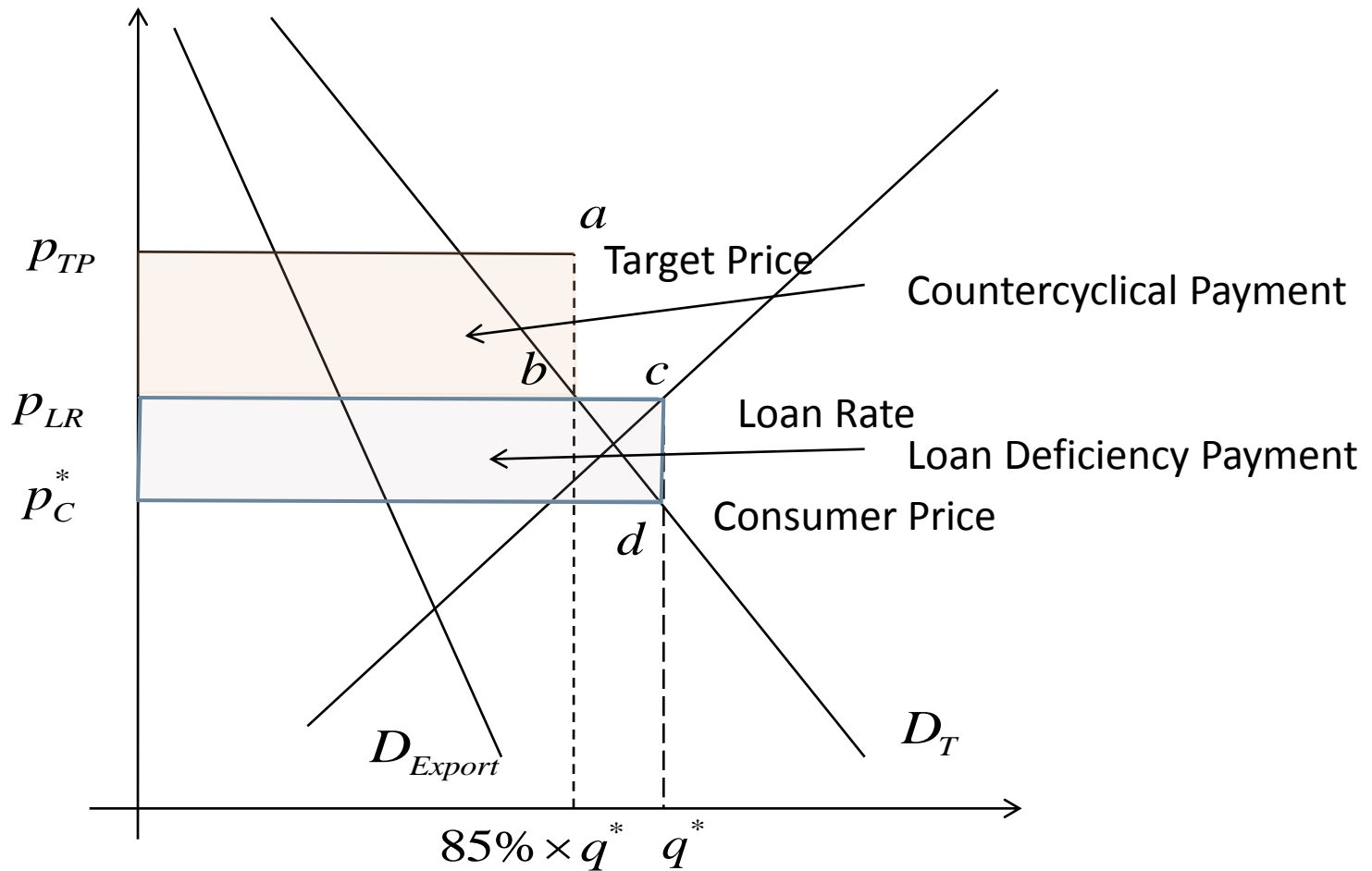


# Ethanol Market

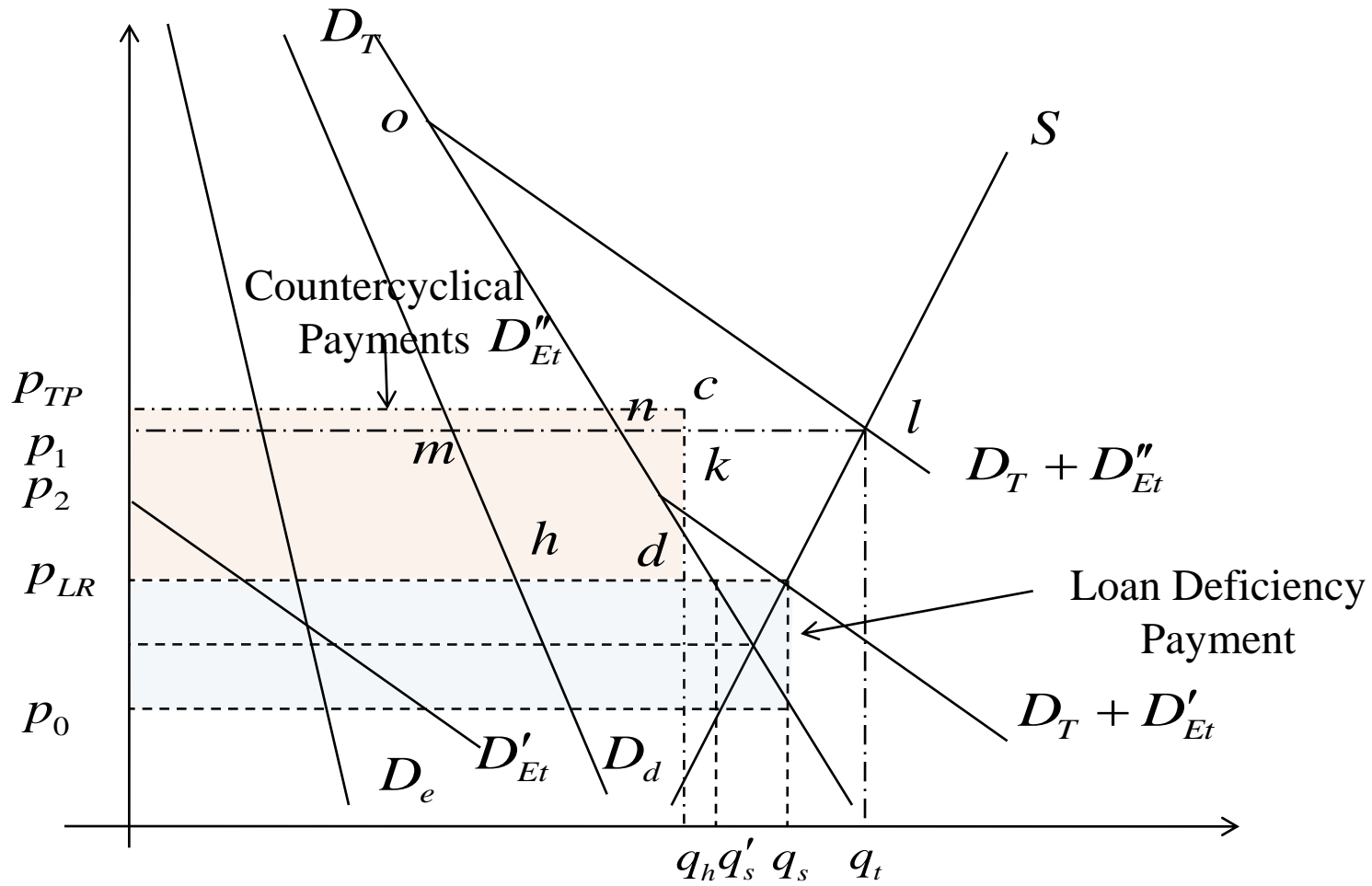
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# Structural of Agricultural Policy



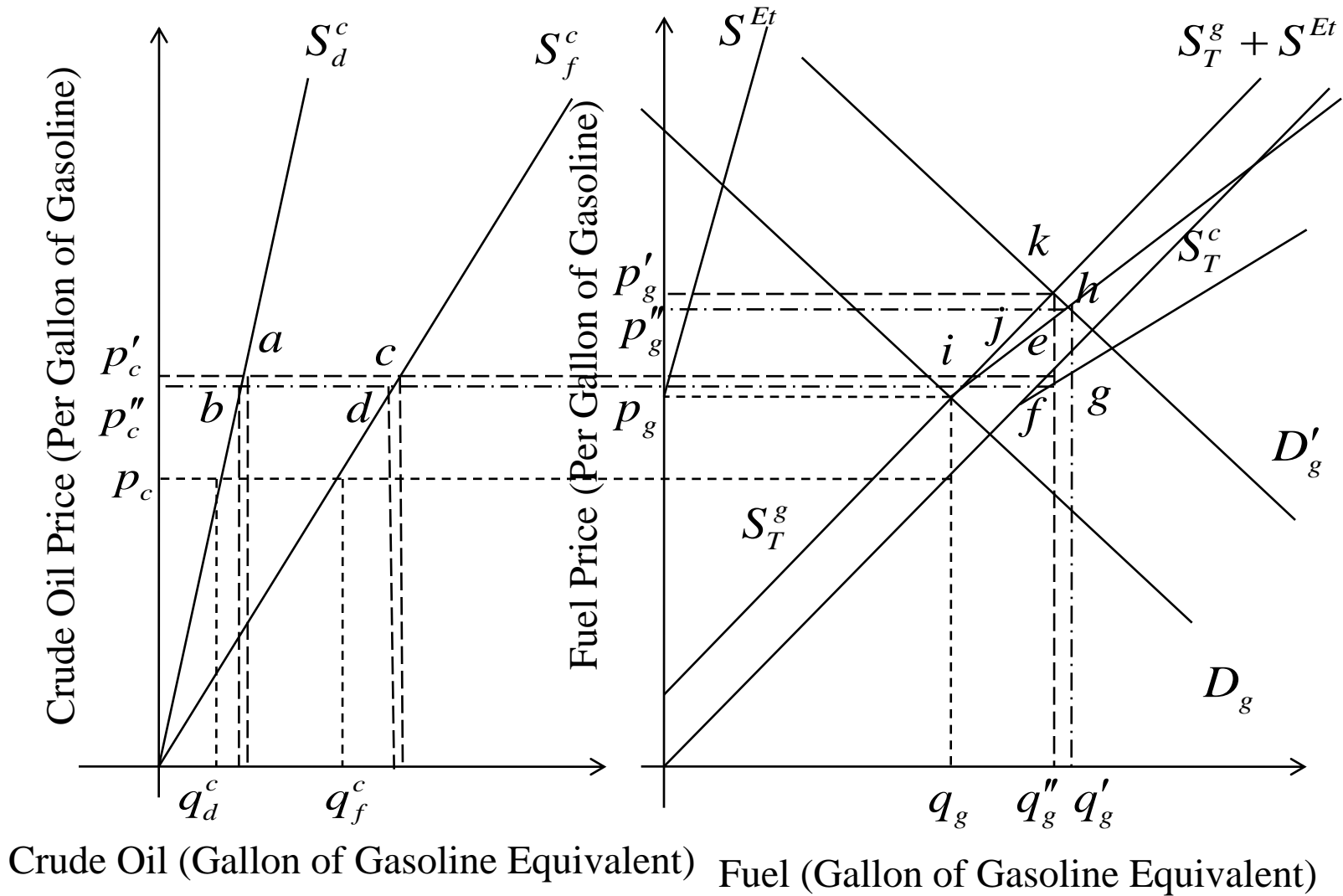
# Effect of Ethanol



# Changes in Level and Consumption of Corn Supply and Demand

	0.4	0.5	0.6	0.7
Corn Price (\$/bu.)	2.06	2.05	2.04	2.03
Total Demand	9,677.39	9,694.31	9,707.53	9,718.15
Food/Alcohol/Industrial	2,014.47	2,015.93	2,017.06	2,017.97
Feed/Residual Use	5,748.25	5,762.46	5,773.58	5,782.50
Exports	1,894.35	1,895.62	1,896.62	1,897.42
CCP Payments (million \$)	4,580.46	4,665.04	4,729.97	4,781.05
Corn Price (\$/bu.)	2.64	2.56	2.49	2.44
Total Demand	10,795.06	10,920.13	11,017.89	11,096.40
Food/Alcohol/Industrial	3,938.81	3,949.53	3,957.92	3,964.65
Feed/Residual Use	5,006.79	5,111.89	5,194.05	5,260.02
Exports	1,827.70	1,837.14	1,844.53	1,850.46
CCP Payments (million \$)	0.00	580.60	1,095.25	1,507.50

# Fuel Market



# Added Effects of Ethanol Measured in the Fuel Market

	0.4	0.5	0.6	0.7
Gasoline Market Price (\$/gallon)	2.961	2.961	2.961	2.961
Gasoline Market (billion gallons)	139.897	139.904	139.907	139.907
Gain in Consumer Surplus (billion \$)	5.397	5.439	5.460	5.460
Loss to Gasoline & Oil Producers	-5.379	-5.421	-5.442	-5.442
Loss to Foreign Producers	-3.753	-3.782	-3.797	-3.797
Loss to Domestic Producers	-1.614	-1.626	-1.633	-1.633
Gain to Ethanol Producers	0.069	0.070	0.071	0.071
Net Welfare Gain	3.852	3.883	3.898	3.898



# Summary of Welfare Costs and Benefits: U.S. Ethanol Production

Supply Elasticity		0.50		0.70
Food/Alcohol/Industrial			-1,008	-813
Feed/Residual Use			-3,094	-2,466
Producer Impact	1,154		975	
Treasury Costs	4,084		3,274	
Ethanol Tax Credit			-2,761	-2,780
Change in Surplus in Fuel Market				
Other	16		13	
Total	9,137	-6,863	9,447	-6,059
Net Gain (Domestic)	+2,274		+3,388	
Foreign Net Cost (Grain Market)			-993	-794
Net Gain (Global)	+1,281		+2,594	

# Comparison of CCPs with Ethanol Tax Credit

	0.4	0.5	0.6	0.7
Increased Corn Production	1,924.33	1,933.61	1,940.86	1,946.68
Decreased CCPs	4,580.46	4,084.44	3,634.72	3,273.55
Increased Ethanol Tax Credit	2,747.94	2,761.19	2,771.54	2,779.86

# Corn and Gasoline Price and Relative Price Ratio, 2005-2007

