



Written by [Bob Adelman](#) on February 3, 2016

Does Cruz's Iowa Victory Signal the End of Ethanol Subsidies?

Texas Senator Ted Cruz's surprise upset victory over Donald Trump on Monday night [just might have set in place](#) a movement to cut and eventually end ethanol subsidies within the next few years. Not only did Cruz push against Trump's support of those subsidies (Trump played to the enormous vested interests in Iowa favoring continuing them), Cruz also pushed against Iowa's Governor Terry Branstad. In January Branstad spoke at the Iowa Renewable Fuels Summit:



Ted Cruz is ahead right now. What we're trying to do is educate the people in the state of Iowa. [Cruz] is the biggest opponent of renewable fuels. He actually introduced a bill in 2013 to immediately eliminate the Renewable Fuel Standard.

[Cruz] is heavily financed by Big Oil. So we think once Iowans realize that fact, they might find other things attractive but he could be very damaging to our state ... I think it would be a big mistake for Iowa to support him.

That Cruz won even when opposing the interests enjoying federal subsidies — the first candidate in an Iowa caucus to oppose those interests since Congress first created them in 2005 — was downplayed by Timothy Cheung, an analyst at ClearView Energy Partners (which calls itself “the leading green energy provider in the US”). Cheung noted that by winning 27.7 percent of GOP caucusgoers, that meant that “72.3 percent of Iowa opposed Ted Cruz and his ideas.” But Senator Marco Rubio, who also supports Cruz's position on ethanol subsidies, finished a close third, with 23 percent. Put together that meant that a majority of those caucusgoers didn't seem troubled by their opposition.

That opposition has been gaining support from some surprising places, such as Yale University and the *New York Times*. Ford Runge, a Rhodes Scholar at Oxford with a Ph.D. in agricultural economics at the University of Wisconsin, would likely be the very last person to excoriate ethanol subsidies. But in 2010, writing in Yale's Environment 360 blog, he said:

Despite strong evidence that growing food crops to produce ethanol is harmful to the environment and the world's poor, the Obama administration is backing subsidies and programs that will ensure that half of the U.S.'s corn crop will soon go to biofuel production.

It's time to recognize that biofuels are anything but green.

He added, “Government support ... now forms a massive federal program that may be good for farm states, but is very bad for U.S. taxpayers.”

Runge then counted the ways those subsidies were hurting those taxpayers as well as the environment and the world's poor. Direct biofuel subsidies include a 45-cent-per-gallon “blender's tax credit” for ethanol — the equivalent of more than \$200 per acre to divert corn from the food supply into fuel tanks.



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Plus a \$1 credit per gallon for plant-based biodiesel and “cellulosic” ethanol.

And then there’s protection from competition from abroad through tariffs of 54 cents per gallon which, according to Runge, “allow ethanol producers to pay higher and higher prices for feedstocks,” which is especially damaging to people in third world countries dependent upon basic foodstuffs such as corn.

And then there’s the immense amount of water involved in growing the corn that is then processed into ethanol. Wrote Runge, “Growing corn to produce ethanol ... consumes 200 times more water than the water used to process corn into ethanol.”

In 2012 the *New York Times* editors allowed Colin Carter, an ag professor at the University of California, Davis, and Henry Miller, a fellow at the conservative Hoover Institution, to weigh in on the matter:

Any defense of the ethanol policy rests on fallacies, primarily these: that ethanol produced from corn makes the United States less dependent on fossil fuels; that ethanol lowers the price of gasoline; that an increase in the percentage of ethanol blended into gasoline increases the overall supply of gasoline; and that ethanol is environmentally friendly and lowers global carbon dioxide emissions.

The real question is whether Cruz’s victory in Iowa is a blip on the political screen or a harbinger of a cultural change that might cause enough members of Congress to support Cruz’s bill to start reducing ethanol subsidies with the goal of ending them altogether by 2022.

Photo: AP Images

A graduate of an Ivy League school and a former investment advisor, Bob is a regular contributor to The New American magazine and blogs frequently at [LightFromTheRight.com](#), primarily on economics and politics. He can be reached at badelman@thenewamerican.com.



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