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Congress extends tax on imported ethanol until 2009

By Carson Walker

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SIOUX FALLS, S.D. - U.S. corn farmers and ethanol makers will continue to have less competition from foreign imports of the renewable fuel until 2009.

Included in legislation passed late Friday and early Saturday by the U.S. House of Representatives and U.S. Senate was an extension of the 54-cent-per-gallon tariff on imported ethanol.

The tax was set to expire in October 2007 but will continue to be imposed until January 2009, said U.S. Sen. John Thune, R-S.D.

A leading producer of ethanol is Brazil, which presumably would be the source of more supply. But Brazil has its own gasoline supply concerns and it's uncertain how much additional fuel it would be able to provide.

The tariff encourages domestic ethanol production, discourages dependence on foreign energy and keeps other countries from competing with American production, Thune said.

"They can already get a certain amount in. But this at least will ensure there will not be a huge flood of imported ethanol coming in from Brazil or someplace else when we're trying to nurture this industry," Thune said.

About 5 billion gallons of ethanol will be produced this year and more plants are in the works.

Doug Sombke of Conde, president of the South Dakota Farmers Union, said the U.S. has environmental and other standards imposed on farmers and ethanol producers that foreign competitors don't have.

His group supports fair trade but not free trade, he said.

"If other countries are competing on the same playing field as we are, that's one thing. But when they're not, that's a whole different issue," Sombke said.

Republican and Democratic farm state members of Congress who pushed for the tariff extension went against the wishes of President Bush, who earlier this year supported at least a temporary reduction of the import tax on ethanol.

"I think it makes sense ... when there's a time of shortage of a product that's needed, so consumers have a reasonable price, it seems to me to make sense to address those shortages," Bush said in a May interview with the cable network CNBC.

"And dropping a tariff will enable the foreign export of ethanol (to get) into our markets, which will particularly help on our coasts," Bush said.

Thune said the problem isn't a shortage of ethanol but of transportation.

"I don't think there's going to be a supply issue. The one thing we have to develop is the distribution system," he said.

On the Net:

Renewable Fuels Association: <http://www.ethanolrfa.org/>

Energy Department:

http://www.eere.energy.gov/cleancities/blends/ethanol.html%und_off