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Getting Honest With Oil

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CORNHUSKER ECONOMICS

Getting Honest With Oil

Market Report	Yr Ago	4 Wks Ago	7/30/10
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.....	\$82.47	\$91.13	\$92.91
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	120.78	130.60	126.28
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	105.59	*	116.38
Choice Boxed Beef, 600-750 lb. Carcass.	142.53	155.32	154.01
Western Corn Belt Base Hog Price Carcass, Negotiated.	52.71	75.70	82.04
Feeder Pigs, National Direct 50 lbs, FOB.	*	*	*
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean.	60.85	82.56	89.21
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct.	101.50	135.75	136.00
National Carcass Lamb Cutout, FOB.	253.23	308.54	303.88
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Imperial, bu.	4.59	3.60	5.25
Corn, No. 2, Yellow Omaha, bu.	3.20	3.48	3.55
Soybeans, No. 1, Yellow Omaha, bu.	10.86	9.53	10.28
Grain Sorghum, No. 2, Yellow Dorchester, cwt.	5.45	5.55	6.09
Oats, No. 2, Heavy Minneapolis, MN, bu.	2.15	2.47	2.79
<u>Feed</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	*	150.00	150.00
Alfalfa, Large Rounds, Good Platte Valley, ton.	*	75.00	77.50
Grass Hay, Large Rounds, Premium Nebraska, ton.	*	*	82.50
Dried Distillers Grains, 10% Moisture, Nebraska Average.	83.50	88.50	90.50
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.	32.50	31.00	28.00
*No Market			

In this year of the monumental oil spill off our shores, Americans are being brought face-to-face with some stark realities of our time. First, we are seeing that current technology and human processes can't insure the prevention of environmental disasters, creating havoc to large economic regions as well as to fragile ecosystems. In fact, if a single 21-inch pipe spewing millions of barrels of oil from the floor of the Gulf can continue for months on end, without effective correction, just how ingenious are we as humans?

Second, the very fact that we are drilling for oil at depths more than 5,000 feet below the surface of the water, as well as efforts in other parts of the United States and Canada to extract oil from shale (with huge environmental concerns), suggests we are no longer dealing with *low hanging fruit* as far as petroleum resources. Quite the contrary, all evidence points to the reality that humanity has already passed the point of peak oil, and it will only get more limited and costly from here on out. More than a century of oil subsidized economic prosperity is quickly coming to an end – the “low fuel light” is on.

Third, as a country the U.S. is particularly vulnerable, since it has a heavy oil appetite (unequaled on a per-capita basis by any other country). Consequently, we import more than 60 percent of our daily oil demands – with much of that coming from politically unstable parts of the globe. Our two wars currently being waged are tied heavily to our oil dependence, and regrettably, at a high cost of human life and sacrifice of those engaged in warfare.

And fourth, over time our policies have leaned toward heavy subsidies of the oil industry, even though oil company profits have been excessive, and negative environmental spillovers and societal externalities have been going on long before the latest British

Petroleum fiasco. Of course, that has allowed us as individuals to be on an oil binge, paying artificially low prices at the gas pump that are essentially half those of many other countries.

Given these realities, I believe it is time for us as a country to get honest with oil. That means a transformation of cultural attitude and a commitment to ACT. How can we do this? There are many aspects, including reducing oil industry subsidies. But one very straightforward way is to realistically price oil at a level more reflective of its true costs. What, a higher price at the pump? YES! Raise the federal gasoline tax another \$.50 or even \$1.00 per gallon, and let the market mechanism work to change this country's course of direction in very positive ways, including:

1. Lowering consumer demand for gasoline and thereby reducing our dependence on foreign oil.
2. Sending a positive signal to the rest of the world that the U.S. is not only serious about global environmental challenges, but is taking a big step forward in assuming world leadership in the energy transformation by significantly reducing carbon emissions.
3. Providing market signals encouraging new technology and innovation needed to lead us into the emerging post-oil economy of tomorrow.
4. Partially internalizing some of the negative externalities associated with oil that have been ignored by our market system for decades.

Of course, the thought of higher oil prices in these times of an anemic economic recovery would be seen by some to be economic disaster. But to that argument we need only go back 24 months to find gasoline prices nearly \$1.50 higher than today – people made adjustments and we didn't see economic chaos because of it.

But aside from economic aspects, a cultural change is critical here as well, a change that may require a profound step such as this. What the American public needs right now is some way of rallying around a new sense of common purpose and direction, a way of directly participating (and feeling empowered) in setting a new course for our nation. So instead of calling the above "taxation" (with all the negative associated connotations), the idea would be

to make it a PATRIOT FEE. Every time you and I fill up at the pump, we would be making a statement to help our country get on the right course. In fact, for those service men and women who have been or are now deployed (as well as their spouses and parents), they would be exempt from this fee, as partial recognition for their extreme sacrifice in war zone areas. (What good politician, if they're not in bed with the status quo, would argue with that?) And even as we personally reduce our gasoline consumption in response to higher prices, we would still be contributing positively to a more sustainable course of direction.

And what would the dollars of patriot fees collected (up to \$150 billion per year) be used for? Certainly there would be many worthy

options. The revenues could be used for paying down the national debt, or providing additional funding for accelerated public and private research and development of renewable energy technology. Some of the fees collected could be directed toward expanded educational opportunities for our younger generation, knowing that our young people represent our future. A portion of the dollars generated could even go as straight dollar reimbursements back to U.S. citizens – a unique dollar stimulus. The key, of course, would be a configuration contributing to worthy causes in the national interest, and not to additional governmental bureaucracy.

Yes, it is long overdue, but not too late to *get honest with oil*. We need to embrace it throughout our consumer, corporate and political cultures. And by doing so, we can begin to bring out the best of our economic system and our citizenry. How about it?

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