

Senator Luann Ridgeway
Capitol Report
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Biodiesel Mandates Bad for Business, Bad for Missourians

JEFFERSON CITY — Actions taken by 20 of my colleagues in the Missouri Senate last week were not a victory for small government conservatives like me who believe governmental intrusion in the market should be avoided as much as possible. Legislation that imposes a biodiesel mandate on Missourians was passed by the Senate and now moves to the House for debate. I do not support this government mandate.

You are probably already aware of a similar mandate for ethanol that went into effect Jan. 1, 2008, and requires most Missouri gasoline to contain a 10 percent ethanol blend. Perhaps you are already driving across the state lines to Kansas just to avoid the mandate. [Senate Bill 759](#), which creates the biodiesel mandate, requires most diesel fuel sold in Missouri to contain a 5 percent biodiesel blend. Biodiesel is an alternative fuel made from any biodegradable oil, including vegetable oil or animal fat. In Missouri, the fuel is made primarily from soybeans.

When the demand rises for a product, the price will naturally rise as well. By creating a demand for soybeans, we are inflating their price. Increased demand for soybeans also means less acres for other crops, creating an overall rise in the price of food — and hitting Missourians square in the pocketbook at the worst possible time. Soybeans are used in a wide variety of the foods we eat. But perhaps more importantly, animals eat many soy products. Hogs, cows and chickens eat grains largely composed of corn and soybeans. When the cost of feeding these animals goes up, sooner or later the cost of meat, eggs, butter and other dairy products will increase. Animal feed price increases are more likely to be absorbed by the mega-farms. The greatest crunch is put on the small family farmer that has to pay high feed prices but may not be able to survive until meat prices increase. If

we as consumers want to see the cost of family food skyrocket, just wait until the family farmers get run out of business.

In 2007, we saw the biggest jump in food prices in 17 years. The average retail price of a dozen eggs increased 38 percent from November 2006 to November 2007, with milk prices rising 30 percent. According to *Family Economics and Nutrition Review*, low-income households spend about 48 percent of their income on food, while the middle class spend 13 percent and the wealthiest only 8 percent. In this uncertain economy, we cannot afford to keep stacking the deck against hard-working Missouri families.

By their very nature, mandates go against the free market principles that guide our country's economic framework. Whether it's the free market of ideas or business, as a society, we have always valued the philosophy that competition is what drives the marketplace, not governmental interference with the system.

As a customer, you are entitled to choose the products and services that best serve you and your family. If suddenly the government were to tell you what brand of laundry detergent to use because it has a vested interest in that particular brand's success, you would probably say that the government is interfering with your rights as a customer. A biodiesel mandate is not much different because it automatically eliminates options for consumers and strips away the competition in the industry. It is creating an artificial demand for a product and representing a backwards thought process by forgetting the consumer's role in the marketplace.

You are a customer, not a captive, and the government should not treat you like a captive. The biodiesel industry should have to prove itself by building a relationship with you, the customer, just as any other fledgling business would do.

If the biodiesel mandate takes effect, Missouri would be the sixth state to enact such a law — and would have the highest biodiesel standard in the country. I recognize the need to assert our dependence from foreign oil and look to other sources for our fuel, however, I do not support a mandate that takes away consumer choice, significantly increases food prices, and halts the innovation of other possibilities for alternative fuel. It is also important to note that producing biodiesel is not cheap, resulting in the fuel typically being priced a couple cents higher per gallon or at the same

price as regular diesel. Cost-effectiveness is not a compelling argument in this case.

As a state, we would not only be providing subsidies to another industry, but we would be guaranteeing the industry will have a ready-made market. If that is not the polar opposite of free market philosophy, I am not sure what is. True fiscal conservatives would not support this legislation or any other that overreaches the bounds of government. Unfortunately, this wrong-headed legislation passed the Senate and is now headed to the House for consideration. I hope you will write your legislators in the House and ask for them to oppose this mandate.

If you have any questions about these issues or any other legislation, please contact my office at (573) 751-2547 or email me at luann.ridgeway@senate.mo.gov.