

Governors' Ethanol Coalition

November 13,

2001

The Honorable Max Baucus, Chairman
The Honorable Chuck Grassley, Ranking Member
Committee on Finance
U.S. Senate
219 Dirksen Building
Washington, D.C. 20510

Dear Senator Baucus and Senator Grassley:

On behalf of the Coalition, I ask that you consider including a small ethanol producer credit as you consider the economic stimulus package currently under consideration.

The small ethanol producer credit is currently included as Section 11 of S. 312. This provision is intended to make farmer-owned cooperatives eligible for an important incentive that other small ethanol producers are currently able to claim. The credit was created as an incentive for farmers who invested in small ethanol production facilities. At present, this credit works as a disincentive to farmers organized as a cooperative. The addition of the small ethanol producer credit for farmer cooperatives will make available an incentive that is important to the nation's ethanol plant development efforts, especially in rural areas of our states.

In many parts of the country, farmers are attempting to add value to crops by producing ethanol from corn and other agricultural products. The small producer credit serves as an important incentive provided the farmer-owners have not structured the venture as a cooperative. The language included in Section 11 of S. 312 would allow farmer-owned cooperatives to claim the credit for which other small producers are currently eligible. If included in the economic stimulus package, this provision will be a timely incentive for farmer cooperatives that are facing significant economic challenges.

The effect of this provision will be a direct tax credit to the farmer-owners of ethanol processing cooperatives. This incentive will also serve to make farmer-owned projects more competitive and economically attractive to the financial community during the project financing stage. The addition of farmer-owned ethanol cooperative incentives will help to stimulate the economy of areas in which the plants are located, and the new production will increase domestic ethanol production capacity. This combination of value-added agri-processing and production of renewable ethanol from domestic resources will serve to strengthen the economic stimulus package and will allow farmer cooperatives to participate in the growth of the ethanol industry.

I respectfully urge you to include Section 11 of S. 312 in the economic stimulus package. On behalf of the Coalition, I appreciate your support for this important provision.

Sincerely,

Mike Johanns
Governor of Nebraska and Chair