

Closing of Tyson's Emporia plant shows downside of Washington meddling



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As some presidential candidates openly vow to “fix the economy,” voters and investors should note government’s heavy hand in up to 1,800 recent layoffs not far from here.

Roughly that many folks have lost work at a slaughterhouse in Emporia, Kan. **Tyson Foods Inc.** stopped slaughtering beef there because it cannot find enough cattle to keep all its plants busy.

Tyson chose to shut Emporia because cattle production had moved westward, making it harder to supply the eastern Kansas plant. But the employment pain would have been the same had some other Tyson slaughterhouse been the target.

In its announcement, Tyson complained that the U.S. cattle herd is not growing, and it foresees no boost in feed cattle supplies anytime soon.

The company cited high grain prices for the reduced supply of animals, and it connected rising grain prices to the boom in turning corn into ethanol. In short, treating food as fuel has made it too expensive to feed livestock.

Tyson did not take the last step that investors and voters should. Ethanol production is booming largely because politicians lighted the fuse.

Ethanol qualifies for an excise tax credit when used as a blending agent in fuel. As of this year, Missouri law requires gasoline pumped inside its borders to contain at least 10 percent ethanol. Washington has mandated rising ethanol use with its politically provoked Renewable Fuels Standard.

Investors rushed to fill the growing ethanol “demand” that is guaranteed by the federal mandate.

Data from the **Renewable Fuels Association** documents the continuing ethanol boom.

U.S. ethanol capacity last month stood at 7.9 billion gallons a year. That was 63 percent more ethanol than the nation was capable of producing in September 2006.

And there is more new capacity under construction now than existed in September 2006.

Once those new facilities start up, we’ll be pushing 13.4 billion gallons of ethanol to market each year.

It won’t be nearly enough for Uncle Sam.

The Energy Independence and Security Act of 2007, signed into law Dec. 19, requires the nation to burn 36 billion gallons of renewable fuels in 2022. Uncle Sam is counting on great advances in cellulosic ethanol production, which doesn’t use food, but still sees most renewable fuels coming from corn.

The clear lesson from Emporia is that once Washington starts muscling around our economic resources, it creates losers as well as winners.

It’s something to remember as White House aspirants offer economic “fixes,” tout the budget benefits of letting income tax rates jump in 2010, promise an even greater role for government in health care and so on