

Expensive Ethanol Eggs

A Daily Reckoning Whitepaper Report
by **The Mogambo Guru** for *The Daily Reckoning*

It's true; eggs are both incredible, and edible. But lately, they're also very pricey. This week, the Mogambo discovers why ethanol is the reason you might soon be spending \$19.95 on a Denver Omelet.

From Junior Mogambo Ranger (JMR) Ajit V. we get the link to NationalPriorities.org where we find the essay "Where Do Your Tax Dollars Go?" Well, as it turns out, this is not a rhetorical question, and we immediately learn where it goes:

Military (\$558 billion), Health (\$428.5 billion), Interest on the Debt (\$398.6 billion), Income Security (\$123.5 billion), which, "includes federal funds outlays on the function area income security with the exception of housing assistance, and food and nutrition assistance."

What?!? Well, before I could work up a good hissy-fit of confusion and indignation at the fact that the government is just giving people so much cash that it equals \$1,000 for every non-government worker in the whole country, the list continues with Education (\$93.2 billion), Veterans' Benefits and Services (\$68.9 billion), Nutrition (\$53.9 billion), Housing (\$38.3 billion), Natural Resources and the Environment (\$31.3 billion), and Job Training (\$6 billion).

And if that's not enough, the category labeled "Other" was larded with \$254.8 billion in spending, including "everything else not listed above and is comprised of the following function and subfunction areas: international affairs outside of international security assistance (included above in military); general science, space and technology; energy; agriculture; commerce and housing credit; transportation; community and regional development; labor and social services outside of training and employment services; justice; general government; and undistributed offsetting receipts."

I get a creepy, lost feeling, like I am in some kind of bizarre-world of strange, new laws of physics when I contemplate that the government is spending so much money on all this stuff that is mentioned nowhere, or even hinted at, in the Constitution, and then made even more horrifying by the brain-busting proposition that "undistributed offsetting receipts" is listed as "spending."

USA Today, citing the American Farm Bureau Federation, reports, "Easter eggs will cost U.S. consumers about 25% more than last year," as "The average U.S. retail price for a dozen large eggs was \$1.51 in the first quarter, 43 cents more than a year earlier."

The explanation offered for this staggering increase in the price of eggs was that "The increase stemmed mostly from higher corn and soybean prices," which are used in the production of chickens, as "ethanol demand drives up feed prices."

I sense that you are asking, “How can eggs be up by 25%, and yet the lying government, and the lying Federal Reserve, and their lying collaborators in the lying Congress, the nations’ lying universities, and the lying newspapers all say that there is no inflation in prices? What am I, some kind of stupid poopie-head that is supposed to believe that silly crap?”

By way of explanation, let me first say (with all due respect) that you are a stupid, ignorant boob and you don’t know squat about how to calculate inflation these days.

The answer is, obviously, that the Federal Reserve, the government and their ignorant lackeys all say that inflation in egg prices is zero (although the price of eggs is up 25%) because the hedonically-adjusted increase in price (43 cents) is not the price of the egg going up, but is the additional cost of additional benefits that you now receive! As just one example, part of the additional 43 cents is to pay for the benefit of happier chickens, thanks to free-range chickens and less crowding.

And if the chickens are happier, see, then the eggs are not affected by, for example, stress hormones, and thus they are, somehow healthier! So, the eggs are of higher quality!

So THAT’S the benefit for which you are paying more. It has NOTHING to do with the price of the basic egg, which is, when the price of these benefits is stripped out, completely unchanged in price! Thus, inflation in egg prices is proved to be, after applying officially-sanctioned hedonic adjustments, zero!

See how I am doing this? It’s easy! I don’t know why government wonks get paid so much to do this stuff!

Anyway, the result is that you, as the consumer, get a big benefit from knowing that chickens are happier, and you and your family are healthier from eating higher-quality eggs, for which you paid another lousy 43 cents instead of having to eat unhealthy eggs from stressed-out chickens.

But it’s not just the eggs that are affected by the ethanol-from-corn fiasco, or all the other things that are higher in price because of it. So merely choosing corn doesn’t seem to show a whole lot of smarts to start with.

As proof of that snide and disrespectful statement, I refer you to a chart sent to me by good ol’ Phil S. It comes from Goldman Sachs, apparently using data from the U.S. Department of Agriculture, which shows the “[percent] of final energy output consumed in production of ethanol” of some “selected crops”.

The sad-but-funny part is that turning corn into ethanol requires as much as 70% of the energy that comes from the ethanol itself! Hahaha! The only worse choice would have been wheat, which needs about 90%.

It would have been much, much better (and seemingly a lot smarter) to get ethanol from sugar cane (10%), or cellulose (25%), or soybeans (37%) or even rapeseed (40%)! But we chose corn at 70%? We’re idiots!

I am again running for President on the Mogambo Raving Lunatic Party (MRLP) ticket, and one of my campaign promises is to immediately legalize marijuana. Reefer is now reported to be the biggest cash crop for 15 states! Fifteen! In 30% of the states, it is their biggest cash crop!

And of this agricultural bounty, the states themselves receive not a freaking dime in revenue, and in fact suffer a net loss, as they must pay to apprehend, prosecute and lock up the potheads! Hahaha! What a weird country!

And this does not include the revenue the government would receive from the tons and tons of pot smuggled into the country if it was taxed. You want money? Here is it, dudes!

Until next week,

The Mogambo Guru
for The Daily Reckoning

P.S. Mogambo sez: I'll say it again, as if I haven't said it enough already: The dollar is going down because we acted like idiots, and so load up on gold, silver and the shares of oil companies to save yourself.

This Mindless Mogambo Strategy (MMS) has worked like a charm for quite awhile now, and so it IS "the trend." And as everyone knows, "the trend is your friend!"