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FOOD PRICE INCREASES NOT DUE TO BIOFUELS

The U.S. Departments of Agriculture and Energy recently released analyses which showed that the increased use of corn and soybeans for ethanol and biodiesel production had only a very negligible effect on food prices. It can be blamed for only as much as .15 percent of the increase in U.S. food prices. That is a barely measureable fraction of a percent.

The report said other factors that are much larger causes of increased corn and soybean prices include:

- increased demand for processed foods and meat in India and China due to higher incomes, population growth and depreciation of the dollar;
- short grain crops due to drought in Australia, Canada, Ukraine, the European Union and the United States;
- export restrictions; and
- higher costs for agricultural production, food processing and marketing due to high energy prices.

Further, the report stated that without ethanol, gasoline prices would be 20 to 35 cents higher. The estimated nine billion gallons of ethanol that will be used in 2008 will help to alleviate supply concerns and moderate prices. The report focuses mainly on ethanol and states that "biodiesel use has had a negligible effect on diesel fuel prices since biodiesel fuel production is so small compared to total diesel fuel use."

The report was sent to Congress in response to a set of detailed questions submitted to both departments last month by Sen. Jeff Bingaman (D-N.M.), Chairman of the Committee on Energy and Natural Resources. The full text is available at:

http://www.energy.gov/media/FactSheet_Biofuels_Lower_Gas_Prices.pdf

http://www.energy.gov/media/Secretaries_Bodman_and_Schafer_Ltr_to_Sen_Bingaman.pdf

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