

Surging food prices fuel ethanol critics

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Producers of [ethanol](#) argue that the biofuel helps blunt the impact of high imported [petroleum](#) prices, but critics say the US policy giving tax breaks for ethanol used in motor fuel ends up being bad for food, energy and the environment.

The issue has created unusual political alliances, with environmental groups and some lawmakers from both parties clashing with farm interests and legislators from the corn-producing midwest states.

Senators Tom Coburn, a Republican from Oklahoma, and Ben Cardin, a Maryland Democrat, introduced a measure last month to scrap the tax credit of 45 cents per gallon for ethanol in gasoline.

"The ethanol tax credit is bad economic policy, bad energy policy and bad environmental policy. The \$6 billion we waste every year on corporate welfare should instead stay in taxpayers' pockets where it can be used to spur innovation, stimulate growth and create jobs," said Coburn.

The lawmakers cited a Government Accountability Office report describing the tax credit as "largely unneeded today to ensure demand for domestic [ethanol production](#)."

C. Ford Runge, a University of Minnesota professor of applied economics and law, argues that ethanol from crops has many "hidden costs" that should dissuade the government from subsidies.

Runge, who raised concerns about ethanol policy as early as 2007, says his research suggests some 30 percent of food price increases come from diversion of US corn for ethanol.

"If you're taking 40 percent of the US corn crop, the largest of any country on earth, and putting it to one use... you don't have to have a Ph.D in economics to know that's going to put upward pressure on prices," he told AFP.

In an essay written for Yale University's Environment 360 online magazine, Runge cites "strong evidence that growing corn, soybeans, and other [food crops](#) to produce ethanol takes a heavy toll on the environment and is hurting the world's poor through higher [food prices](#)."

The UN's Food and Agriculture Organization has warned that rising food

prices are driving unrest around the world, including recent uprisings in the Middle East and North Africa.

Runge said high food prices -- including corn at record highs -- are a factor in the unrest, saying "these countries have been subjected to the pressures in their household costs," adding to the political pressures.

Economist Ed Yardeni at Yardeni Research said diversion of crops to fuel is important because the US provides more than half of global corn exports and over 40 percent of soybean exports.

"So our ethanol policy is exacerbating the global food fight, destabilizing the Middle East... Is that insane, or what?," Yardeni said.

Yet ethanol has its staunch defenders including Senator Tom Harkin the corn-belt state of Iowa, who told a recent hearing that ethanol "has dramatically reduced our need for oil."

Harkin said the focus on ethanol diverts attention from the oil industry's "very lucrative and unnecessary subsidies."

Bob Dinneen, president of the Renewable Fuels Association, said ethanol is important for the goal of energy security, and he dismisses its impact on food prices, saying refiners use only the starch component of feed corn, and produce animal feed as a byproduct.

"Ethanol is the only thing we have today to moderate skyrocketing prices of gasoline and crude oil," Dinneen told AFP.

"If the chaos in the Middle East teaches us anything, it should be that America must forcefully begin down the path of energy self-reliance. Increasing the use of domestic renewable fuels like ethanol is the first, and arguably, the easiest step we can take," he said at a congressional

hearing.

US President Barack Obama said in a March 30 speech on energy policy that ethanol should be part of the US energy future as part of an expanded effort for biofuels.

He said there is "tremendous promise" in renewable biofuels, "not just ethanol, but biofuels made from things like switchgrass, wood chips, and biomass."

A White House official said that "corn ethanol is already making a significant contribution to reducing our oil dependence. But going much further will require commercialization of advanced biofuels technologies."

Dinneen argued the US will need a variety of biofuels, but added "the existing ethanol industry is providing the foundation on which those other biofuels will be able to grow."

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