

Food vs. Fuel

Countless academic, economic and government studies have disproven the food vs. fuel myth, concluding that Wall Street speculators, high oil prices and the high costs of manufacturing, packaging and transporting all have far more impact than ethanol on everyday grocery prices.

- Despite the proven facts – that there is no substantial link between ethanol production and grocery prices – misinformed critics still actively try to stoke illegitimate fears that demand for corn ethanol will somehow drive up food prices.
- Corn is only a fraction of overall food and grain costs. For every one dollar spent in a grocery store, approximately 3 cents goes to corn-related costs at the farm. General Mills CFO, Don Mulligan, admitted as much when quoted in the St. Paul *Pioneer Press* saying that grain was only 5 to 10 percent of the company's total costs.
- Food processing is energy intensive and packaging frequently uses petroleum-based raw materials. Transporting food around the world also requires large amounts of oil. The cost of oil has much more to do with the cost of food to consumers than does the increase in demand for ethanol.
- In fact, a co-product of ethanol production is the high-protein distiller's grain that is used as a livestock feed. One third of every bushel of grain that goes into ethanol is returned in highly-sought animal feed.
- American corn growers have demonstrated they have more than enough capacity to satisfy all demand for livestock feed, exports and ethanol. In fact, the United States corn growers were capably producing 11-13 billion bushels of corn annually to satisfy domestic feed, industrial milling use, and export demand for many years, resulting in steady surpluses. Because of new technologies which allow farmers to grow more crops on fewer acres of land, corn farmers are poised to increase plantings even more to take advantage of the growing market for renewable liquid fuels.
- The U.S. ethanol industry used just 3 percent of the global grain supply on a net basis in 2011. It just isn't reasonable to suggest that using such a small slice of the global grain supply could be solely responsible for any rise in food prices or dip in supplies – especially when the U.S. ethanol industry's primary feedstock is field corn, which is not a food grain like rice or wheat.
- USDA Secretary Tom Vilsack went on CNN to dispel food

vs. fuel myths, saying, "What really drives food prices more significantly are energy costs..." "That's why it's important for us to continue to focus on the President's 'all of the above' approach to produce more energy in the United States," [Read more](#) or [watch the interview](#).

- Additionally, at the height of the drought, the United Nations (UN) along with the Organisation for Economic Co-operation and Development (OECD) released an [agricultural report](#) indicating the correlation between oil prices on commodity prices, stating, "Global agriculture is increasingly linked to energy markets... These higher oil prices are a fundamental factor behind the higher agricultural commodity price projections..."

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- Even the World Bank – who published a research paper several years ago claiming biofuels were to blame for rising food prices – reversed its position recently with a new study entitled "Placing the 2006/08 Commodity Price Boom into Perspective." The study's authors found that "the effect of biofuels on food prices has not been as large as originally thought, but that the use of commodities by financial investors (the so-called 'financialization of commodities') may have been partly responsible for the 2007/08 spike." [Read this report](#).

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