

Cargill chief in warning over biofuels boom

By Doug Cameron in Chicago

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Cargill's new chief executive has warned that the boom in renewable fuels could be derailed by a succession of poor harvests, intensifying upward pressure on food costs as land is devoted to energy-related production.

Gregory Page, a 33-year veteran of the world's largest agribusiness group, reiterated his concern that biofuel mandates and other incentives will distort the allocation of land, with the potential to create food shortages around the world in the wake of "weather-related crop problems".

"The big risk is that we are sowing the seeds of unintended consequences," Mr Page said in an interview with the FT ahead of his installation as chief executive on June 1.

Mr Page's views echo those of his predecessor, Warren Staley, who repeatedly called for a balanced debate among policymakers about the competing claims of food and fuel.

"It's just food first, fuel second," said Mr Page, who has in the past questioned subsidies for the US biofuel industry, reflecting Cargill's long-held support for market forces and free trade.

Mr Page, 55, is only the fourth non-family member to head Cargill, whose sales climbed to \$75bn last year, ranking it behind only Koch Industries as the largest privately-held US company.

Cargill's stance in the biofuel debate reflects its diversified business lines. The company has invested \$1bn in ethanol and biodiesel production, but it also supplies a quarter of the meat consumed in the US, where margins have been hit by higher feed costs.

The company's stance contrasts with that of Archer Daniels Midland, its smaller US rival, which is already the largest corn-based ethanol producer in the US, expanding its global energy footprint through biodiesel plants in Europe and Asia. ADM executives have expressed confidence in the ability of new technology to boost crop yields and ease food versus fuel pressures.

"Cargill is more concerned about the use of corn for food versus fuel," said Wesley Moultrie at Fitch Ratings.

Cargill's concerns have been echoed by other producers, notably Tyson, whose chief executive has warned of a ripple effect on global food prices as more grain was devoted to renewable fuels. The rise of so-called "agflation" is already drawing attention from policymakers around the world, with a range of agricultural commodities at or near record highs.

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