

For Immediate Release

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Corn Ethanol Study Projects Further Hikes For Input Costs, Retail Pork Prices

Pork Exports, Consumption, Production Would Decline

WASHINGTON, D.C., May 17, 2007 – With rising corn costs and declining corn availability having already increased retail pork prices and pork production costs over the past year, a new study issued today finds that the rapid increase in corn-based ethanol production could cause costs to rise even further.

Conducted by the Center for Agricultural and Rural Development (CARD) at Iowa State University in Ames, Iowa, the study assesses how large the U.S. biofuels sector could become and estimates the likely impacts it could have on crop markets, the livestock and poultry sectors, exports and grain-based wholesale and retail food prices.

Ethanol production since last August has boosted pork production costs by 30 percent – about \$20 million a week – with similar increases for dairy, beef, eggs and poultry. Those cost increases have raised U.S. retail food prices by \$14 billion annually. The CARD study shows that amount reaching \$20 billion under a scenario in which crude oil prices range from \$65 to \$70 per barrel and U.S. corn prices jump to \$4.42 per bushel. The price of a barrel of oil today was \$62.75.

“Although production cost for pork producers have increased significantly since last summer,” said Neil Dierks, CEO of the National Pork Producers Council, “the most immediate concern remains physical availability of corn for livestock feed.”

The study also projects that U.S. ethanol production could reach 30 billion gallons by 2016, consuming more than half of U.S. corn, wheat and other coarse grain production and triggering higher meat prices for consumers, reduced production across-the-board for all segments of the meat sector and even greater reductions in grain and meat exports. If season-average corn prices over a 10-year period ending in 2016 increased to \$4.42 per bushel – compared with the \$2 per-bushel price that existed in August 2006 – pork production costs would increase by 36.8 percent, production would decline by 9.2 percent, retail prices would increase 8.4 percent and exports would decline by 21 percent, reversing 15 consecutive years of pork export growth.

The study is available from Iowa State University’s website at:
<http://www.card.iastate.edu/publications/synopsis.aspx?id=1050>.

NPPC is the global voice for the U.S. pork industry, fighting for reasonable legislation and regulations, developing revenue and market opportunities, and protecting producers' livelihoods. For more information, visit NPPC's Web site at www.nppc.org.