

Corn Prices Rise, Pitting Chickens Against Ethanol

By Cindy Skrzycki
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Taking corn from the mouths of chickens to put into the gas tanks of U.S. cars and trucks is causing feathers to fly in Washington.

The \$40 billion chicken industry, along with livestock producers, oil interests, grocers and some environmental and anti-hunger groups are hoping to put up a regulatory blockade to stop the diversion of corn stocks into the brewing of billions of gallons of ethanol for vehicles this year.

"It has never gone up this far, this fast," *Richard L. Lobb*, a spokesman for the *National Chicken Council* in Washington, said of the jump in corn prices to \$6 a bushel and more, triple what they were two years ago. "We are competing directly with the people who make ethanol, and they are outbidding us for corn."

During the past few weeks, groups hurt by the food-vs.-fuel war over the price of corn have sought waivers -- including the first official petition from the governor of Texas -- from the ethanol mandates that Congress passed as part of last year's energy bill. The exercise illustrates how a victory for one interest group, the corn farmers and ethanol producers, can trigger counter-lobbying by others.

The new law requires the production of 36 billion gallons of renewable fuel -- 15 billion gallons of it derived from corn -- by 2022. It also gave the [Environmental Protection Agency](#) the authority to waive or alter the mandates if they cause severe harm to the economy.

There are 147 plants in the United States producing 8.5 billion gallons of corn-derived ethanol annually, according to the *Renewable Fuels Association* in Washington. About a quarter of the 93 million acres of corn planted last year were devoted to ethanol production.

Critics said the corn mandate was at least partially responsible for world food shortages, as well as for increased commodities' prices and price inflation at the grocery store.

"There is just no bigger kitchen-table issue for either party when Americans have to think twice about buying a dozen eggs," said *Scott Faber*, vice president for federal affairs at the [Grocery Manufacturers Association](#) in Washington.

The grocers' trade group, among others, hope other governors will join [Rick Perry](#) (R) of Texas in writing the EPA to seek relief. The agency has 90 days to consult with the departments of *Energy* and *Agriculture* and to act on the petition.

In his April 25 letter, Perry said the ethanol mandate was having a negative impact on Texas and global food prices. "My request is for a waiver of 50 percent of the mandate for the production of ethanol derived from grain," Perry wrote.

Connecticut Gov. [M. Jodi Rell](#) (R) sought help from Washington, too, complaining to [President Bush](#) and members of Congress in a May 1 letter, though not in a formal petition to the EPA.

Members of Congress on both sides of the issue have added their voices to the dispute. On May 2, 24 senators, led by [Kay Bailey Hutchison](#) (R-Tex.) and including [John McCain](#) (Ariz.), the

presumptive Republican presidential nominee, wrote the EPA. They asked the agency to reset the ethanol targets, taking into consideration the inflation in food prices.

"We need to assess the corn-based ethanol mandate and its unintended effects on food prices for American consumers," Hutchison said in a separate statement. She said she will introduce legislation this week to cap ethanol production at the 2008 level of 9 billion gallons.

In a May 7 letter to the EPA, two ethanol supporters, Sens. [Charles E. Grassley \(R-Iowa\)](#) and [Tim Johnson \(D-S.D.\)](#), said ethanol accounts for a fraction of the increase in global and domestic food prices.

At a May 6 House subcommittee hearing on the renewable-fuel standard, *Robert J. Meyers*, the EPA's principal deputy assistant administrator for the office of air and radiation, said the agency would seek public comment on the waiver request.

Corn growers say there's plenty of their product to go around because farmers last year planted their biggest crop since the 1940s. They say price increases in dairy and other products are the result of stratospheric oil prices, droughts in other parts of the world, commodity-market speculation, and the growing global demand for grains.

"I don't believe they will be successful in swift-boating ethanol," said *Bob Dinneen*, president of the renewable-fuels trade group, referring to the negative 2004 ad campaign about Democratic presidential nominee [John F. Kerry](#)'s military service in Vietnam. "Without ethanol, gas would be 15 percent higher than it is today."

That's a hard sale to make to [Tyson Foods](#) in Springdale, Ark.

"We never supported the mandates, and I regret not being more vocal against them," *Richard L. Bond*, Tyson's president and chief executive, said in an interview. The company feeds 40 million chickens a week, and its ration costs have gone up \$1 billion over the past two years, he said. Chicken prices at the store haven't soared yet because supplies are still plentiful.

In the meantime, Tyson is involved in two ventures to use some of the 2.3 billion pounds of animal fat it produces each year -- to make renewable diesel fuel.

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