



**NATIONAL CHICKEN COUNCIL**  
1015 FIFTEENTH STREET NW, SUITE 930  
WASHINGTON, DC 20005-2605

FOR IMMEDIATE RELEASE Tuesday, June 03, 2008  
CONTACT: Richard L. Lobb (202) 296-2622 ext. 119

### **USDA Analysis Understates Impact of Ethanol Boom on Food Prices, Economist Says**

U.S. Secretary of Agriculture Ed Schafer is leaning on a weak reed in claiming that the ethanol boom is responsible for only a tiny fraction of the dramatic increase in world food prices, according to an independent agricultural economist.

“Most objective observers feel that the demand from the biofuels sector accounts for anywhere from one-third to two-thirds of the explosion in food prices, not the two or three percent suggested by Secretary Schafer,” said Dr. Thomas Elam, president of FarmEcon LLC. “Crops that used to be grown for food production are now being priced at their value as a fuel supplement, with unpredictable and very negative consequences for the food economy. The costs of those crops to the U.S. food production system are also being significantly increased by federal biofuels policy.”

Schafer’s “two or three percent” estimate echoes the comments of Edward P. Lazear, chairman and, at this time, the only member of President Bush’s Council of Economic Advisers. Lazear told a Senate committee last month that corn-based ethanol production accounts for only 1.2 percentage points of the 43 percent run-up in global food prices, or about three percent of the increase in the past year.

However, the analysis cited by Lazear counts only corn that is directly consumed by humans, a relatively small part of the overall usage of corn, Elam noted. By far the most corn in the United States and in other countries is used in livestock and poultry feed and is thus consumed by humans indirectly in the form of meat, poultry, eggs, and dairy products.

“The analysis of the U.S. government greatly understates the role of corn in food production and therefore significantly understates the contribution of the skyrocketing cost of corn and other feedgrains to the explosion in food prices,” he said. “The analysis also failed to account fully for the run-up in the price of commodities that compete with corn for crop acreage.”

Midwest corn prices shot up from about \$2.20 per bushel 20 month ago to \$5.58 last month. Coupled with cost increases for other feed ingredients related to higher corn prices, the cost of producing chickens is up by about 45 percent. Similar impacts are affecting other poultry producers, beef, pork, and dairy, Elam noted.

“Far from all of the increase in producer costs have shown up yet in wholesale or consumer prices,” he said. “Meat, poultry and dairy producers are struggling with rising feed costs.”

The U.S. government requires fuel companies to add ethanol to motor gasoline; the amount required this year is nine billion gallons, which will take more than three billion bushels of corn to produce, Elam noted.

Elam’s analysis was released by the National Chicken Council, the trade association for the chicken production and processing industry in the United States. NCC estimates that companies have spent nearly \$4 billion in extra feed ingredient costs since the ethanol-driven run-up in grain prices began in the fall of 2006.

A copy of Dr. Elam’s analysis is available upon request to NCC at [rlobb@chickenusa.org](mailto:rlobb@chickenusa.org)

##