

Bio-insanity: Ethanol subsidies will make food costs from flooding worse

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If you think that food prices are high now, wait until the full effects of the flooding of farmland in the Midwest hit store shelves. Prepare to be pinched harder at the checkout stand.

The damage to crops from heavy rains and failing levies is the result of a natural disaster. But it's nothing compared to the unnatural disaster we're creating for ourselves by subsidizing food-based ethanol, blended with gasoline, at a minimum of 51 cents per gallon, reducing the cost you pay at the pump by mere pennies a gallon.

Two new studies underscore the growing impact of federal ethanol mandates on food prices as more agricultural resources are diverted to biofuels. Dr. Thomas E. Elam found, for example, that increased fuel production spurred by the Renewable Fuels Standard of 2007 has had a barely measurable effect on the global energy market, the impact on food prices and food security are "huge."

If the federal mandates remain the same, he said, the smaller corn crop due to heavy moisture "will be devastating to meat, dairy, and poultry producers. Consumers will suffer as food and fuel costs rise and supplies of corn-based food diminish. The overall economy will be damaged from higher inflation and lost jobs in the food production sector."

Elam and Keith Collins, a former chief economist for the U.S. Department of Agriculture who authored the other study, both dispute the U.S. Department of Agriculture's claim that federal biofuels policy has raised food prices by as little as 2-3 percent.

Collins found that retail food prices have jumped an estimated 23-35 percent beyond the normal increases that would be expected over a two-to-three-year period. The renewable fuels standard, which mandates escalating reliance on ethanol, plays havoc with the normal price rationing that hits the market when supplies are down, as they are due to flooding, he said. Growing ethanol production pushes demand for the smaller corn crop even higher, further reducing the country's grain stocks, which already are "dangerously low."

Both researchers suggest that the government reduce or do away with federal support for corn-based ethanol, an industry that is growing anyway due to higher fuel prices.

Lavishing federal subsidies on a food-based fuel that accounts for 20 percent of the rise in world food prices, harms the environment, and takes nearly as much energy from oil as it yields in clean fuel is, on its face, insane and morally bankrupt. Get rid of them.