

Coalition for Balanced Food and Fuel Washington, DC

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CONTACT: JANET RILEY, 202/587-4245

SHERRIE ROSENBLATT, 202/898-0100, EXT. 7227

RICHARD LOBB, 202/296-2622

Expert Economist Says National Ethanol Policy Continuing to Drive Meat and Poultry Prices Higher

Nashville, Tenn., March 11, 2008 – U.S. ethanol policy is continuing to drive meat and poultry prices higher, according to preliminary results of an analysis by expert economist Tom Elam, Ph.D., president of Farm Econ. Elam offered a preview of his soon-to-be-released study at the Annual Meat Conference, March 9-11, 2008, in Nashville, Tenn.

Elam said that he estimates the cumulative costs to the food industry of the renewable fuel program will be about \$100 billion from 2005-2010. The program mandates minimum ethanol production and provides tax incentives for ethanol use.

As part of his analysis, Elam compared what would have happened without the federal biofuels program with what has happened. Among his key findings:

- Farm level corn prices in 2008 would have averaged about \$2.77 per bushel without the program. Ethanol tax credits have added \$1.33 per bushel, and may drive corn more than \$5 a bushel in 2009.
- Without the biofuels program, Elam estimates that 2008 ethanol production would have been 4.5 billion gallons, but the program has added at least 4.2 billion gallons.
- Ethanol would have been \$1.69 a gallon, but increased demand for corn and higher corn prices are driving ethanol prices up and they now are 51 cents a gallon higher than they would have been without the program.
- Approximately 76 million acres of corn would have been harvested in 2007, but the program added 10.5 million acres.
- The biofuels program is, in effect, a regressive tax on food production. The windfall gains from the program go to a relatively small number of corn and soybean producers who were already better off than the average American.

Elam also detailed the direct impact of increased input costs on the meat and poultry industry and on consumers themselves. Among his findings:

- As a result of the program this year's costs to the broiler industry are up \$3.4 billion; turkey input costs are up \$646 million; swine input costs are up \$2.9 billion; cattle input costs are up \$2.24 billion; and dairy producer input costs are up \$2.7 billion.

- Translated into a cost per animal, Elam estimated the costs at 53 cents per chicken; \$3.40 per turkey; \$38 per hog and \$117.50 per fed beef animal.

“You cannot use the combined grain crops of Australia and Indonesia for U.S. fuel and not have an impact on corn, soybean and food prices,” Elam said. He said he expects food price inflation to rise five or six percent in 2009.

He predicted that consumers, especially lower income consumers, will downgrade the cuts of meat they purchase and pay more attention to generics. “People will shop more carefully,” he said.

For more information, go to: <http://www.balancedfoodandfuel.org>.