



As a former policy analyst for the agricultural commodities trade, I read with interest the “Biofuels Impact on Food Supply” articles in the July and August publications of the *Sugar Journal*. I would like to offer a few observations in hopes of improving upon an excellent analysis by Dr. Garry Smith. These observations are solely my own musings and are not indicative of any positions taken by the sugar industry I proudly serve!

As Dr. Smith noted, the shift of more arable acreage to corn production in the U.S. has led to an increase in prices for other commodities. This price increase has been uneven, as market movements tend to be, but the basic market dynamics suggest that commodity prices will find a new market equilibrium as buyers ‘bid’ in the marketplace for acreage to be utilized for this or that commodity. Given the escalation of input costs for growers, which have in many cases exceeded the increase in prices paid to farmers for what they produce, a new and higher price paradigm is vital if we are to maintain a safe, secure and abundant supply of commodities in the U.S.

Dr. Smith’s analysis (July issue) perpetuates a common misconception about the main feedstock for the U.S. ethanol industry: #2 Yellow Corn (2YC). #2 Yellow Corn is a ‘feed’ corn and not a ‘food’ corn, a fact that seems to have confused many in the media in recent weeks but one that is important to the analysis that followed. The increased use of 2YC as an energy feedstock affects the food supply only to the extent that (1) acreage is shifted away from food crops and (2) poultry and swine producers are unable to use dry or wet distillers grain (high-value by-products of corn ethanol production) in feed mixtures.

When Dr. Smith writes “The amount of corn required to produce a gallon of ethanol is enough to feed a human being for two weeks” and, in the second installment, that the

calories required to fill a 25-gallon tank with pure ethanol would feed a person for a year, it adds to the confusion. In my own formative years in rural north Alabama, my dear mother experimented with feed corn in her kitchen. While my mother is a fabulous cook, I can assure you that there is a sharp distinction between what my cows could stomach and what I would willingly consume firsthand. A more appropriate correlation was recently drawn by venture capitalist Vinod Khosla, who asserts that the amount of corn and water needed to produce a gallon of ethanol is equivalent to the amount of corn and water needed to produce a 12 ounce steak. In the near-term, this fuel-or-steak equation may have a far-greater impact on the typical American lifestyle than the examples provided by Dr. Smith.

While I generally accept that livestock prices are likely to rise because of the growth in corn ethanol production, I would quibble with the statement that the price of livestock products “will continue to rise” because of the use of 2YC in ethanol. In the short-term, yes. But the mid-term reaction of livestock producers may be a large-scale liquidation of herds. Basic supply-demand modeling for perishable products would suggest that meat prices should fall during the liquidation period. Long term? That really depends on whether corn ethanol remains the only viable domestic renewable feedstock for U.S. refiners.

While the relationship between oil prices and the potential growth of biofuels production is well-established, geo-political and economic realities are changing the market and cultural dynamics in ways that we are only beginning to understand. American leaders have awakened to the fact that America is borrowing from one foreign policy problem to buy oil from another. Petroleum-based input costs are increasing for our producers at a

staggering rate and American consumers feel the bite at the pump and at the supermarket. As winter nears, those of us living north of the Sunbelt are shivering at the anticipated cost of staying warm.

While we adjust to these new realities, the price competition in the marketplace may be the necessary tonic to stimulate scientific discovery in the renewable energy sector that will lessen the food and feed sector pressures we are currently facing. Since the packaging and transportation of food products are significant components of the consumer’s food costs, advances that would utilize more agricultural waste materials for packaging (replacing non-renewable feedstocks in the production of polyethylene, for example) and transporting food products could ultimately reduce food and feed prices while increasing the farmer’s bottom-line.

In 2001, when I became interested in the energy feedstock potential of bagasse, the fibrous by-product of sugarcane processing, I was informed that the key to unlocking the energy potential of cellulosic plant material was only five years away. Seven years later, we may be closer to prying that door open, but we’re still searching for that key. The higher commodity prices and the ambitious renewable energy goals recently set by Congress may be the catalysts that unleash a renewable energy potential that will allow our farmers to provide a safe and abundant supply of basic food and feed products while leading our country away from our dangerous dependence on non-renewable energy sources originating far from American soil.

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