

ETHANOL AND FOOD/FEED MARKETS NOURISHING THE TRUTH

Even in the face of low corn prices, record feed supplies, and falling food prices, opponents of ethanol unbelievably clung to the contrived “food vs. fuel” myth in 2015. Lobbyists representing fast food restaurants, grocery manufacturers, and corporate poultry producers continued to suggest that the RFS is responsible for higher food prices. But their absurd claims fell on deaf ears...and for good reason.

Farmers harvested a corn crop of 13.6 billion bushels in 2015—the third-largest ever, trailing only 2014’s record crop and 2013’s robust haul. When grain stocks and ethanol co-products are properly considered, more grain is available for food and feed today than ever before. What’s more, global grain supplies and ending stocks were projected to hit all-time highs in 2015/16, and just 2.95% of that record supply is expected to be used for U.S. ethanol production—a six-year low.

Meanwhile, food price inflation continued its downward trend, and consumers are spending a smaller portion of their income on food today than before. Between 1980 and 2004, food prices increased by an average of 3.5% per year; in contrast, food prices have risen by an average of just 2.7% per year since 2005, the year RFS was adopted. Further, the world food price index in 2015 fell to its lowest point since the global financial crisis of 2009.

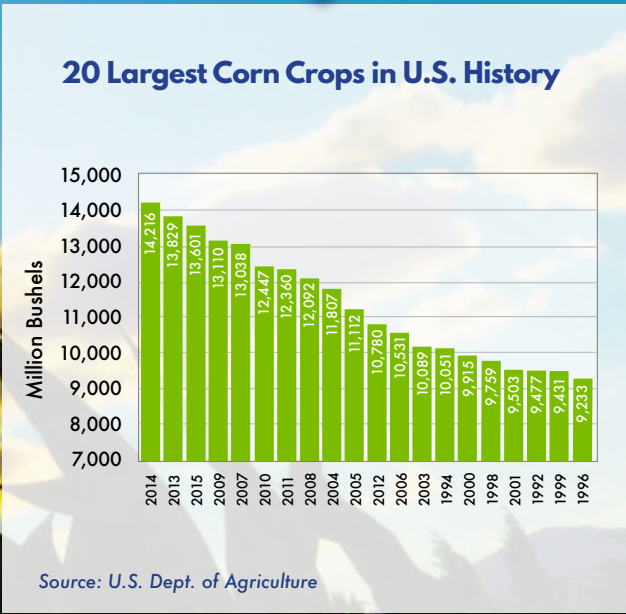
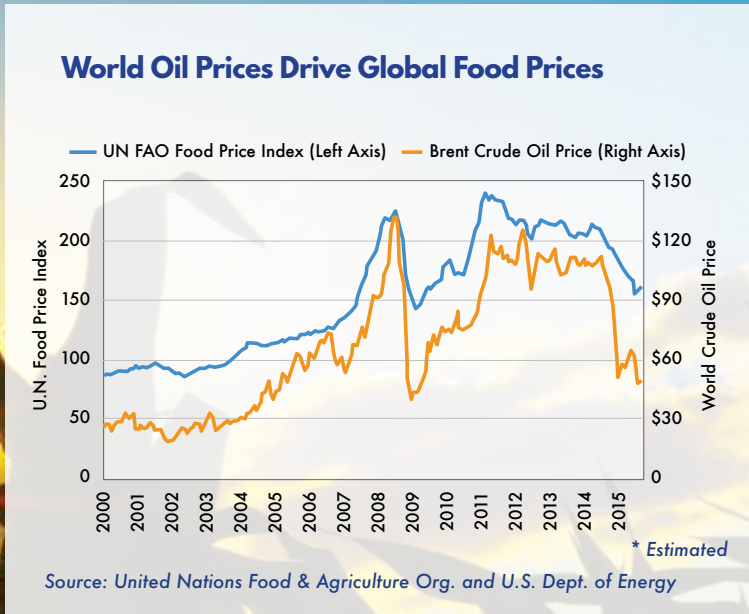
What Does \$1 Spent on Food Really Pay For?



Source: U.S. Dept. of Agriculture

Just as ethanol demand isn't the only driver of corn prices, the cost of corn and other feed commodities isn't the only driver of retail food prices. In fact, only 17 cents of every dollar spent on food pays for the raw farm ingredients in the food item. The other 83 cents pay for processing, transportation, labor, packaging, advertising and other costs.

Prior to 2000, U.S. farmers produced just one corn crop larger than 10 billion bushels. Since 2000, they've done it 13 times.



A recent World Bank report concluded that "most of the contribution to food prices changes from 1997-2004 to 2005-2012 comes from the price of oil."

