January 30, 2013

U.N. Committee on World Food Security
High Level Panel of Experts
Project Team & Steering Committee
Submitted Electronically

Dear Dr. Wilkinson,

The Renewable Fuels Association (RFA) submits the attached comments in response to the U.N. Committee on World Food Security (CFS) High Level Panel of Experts (HLPE) “V0 draft consultation paper” on biofuels and food security (January 9, 2013). RFA is the leading national trade association for the U.S. ethanol industry. Founded in 1981, our mission is to drive expanded production and use of American-made ethanol and co-products by raising awareness about the benefits of renewable fuels.

RFA believes biofuels are providing tangible benefits and positive outcomes for both the world’s farmers and consumers. Biofuels have already proven themselves as agents of economic development, environmental improvement, and social progress in many developed nations. We believe biofuels can bring the same benefits to developing nations without jeopardizing food security. In fact, biofuels have the potential to serve as an important tool in reducing food insecurity. Indeed, we agree with the U.N. Food & Agriculture Organization (FAO) that: “…investment in bioenergy could spark much-needed investment in agricultural and transport infrastructure in rural areas and, by creating jobs and boosting household incomes, could alleviate poverty and food [in]security.”

Unfortunately, the V0 draft report entirely neglects the potentially positive impacts of biofuels on food security in the developing world. As such, the HLPE has so far failed to accomplish its stated objective to “…consider biofuels with the prism of food security (positive and negative effects).” By subjectively and indefensibly assigning the bulk of recent higher commodity prices to biofuels expansion, the V0 draft suffers from the same specious correlation fallacy as other reports seeking to blame biofuels for food insecurity in the developing world. That is, the HLPE simply assumes that because commodity prices have increased simultaneously with global biofuels expansion, that one event must be the primary cause of the other. Yet, despite outrageously declaring that the draft report “…confirmed the central role of biofuels in provoking high and volatile food prices…”, the HLPE offers no new evidentiary support or quantitative analysis whatsoever that establishes any causal link between biofuels policy and food insecurity.

As the attached comments demonstrate, the V0 draft needs substantial revision before it can be submitted for official peer review. Not only does the report fail to discuss potentially positive impacts of biofuels expansion on food security, but it also inappropriately expands the intended scope of the study, blatantly disregards input from the May 2012 consultation, fails to include a comprehensive literature review, and adopts highly questionable assumptions regarding animal feed co-products, crop yields and other factors.

We strongly encourage the HLPE to significantly revise the report. We believe the panel should re-examine the intended scope (as defined by the CFS), broaden the literature review, seek more balance in the cited literature, and revisit key assumptions about the impacts of biofuels production on food and feed markets. Further, the HLPE should review pertinent biofuel policies to ensure proper understanding of the provisions, safeguards, and flexibilities of the respective laws.

We appreciate the HLPE’s consideration of our comments and look forward to further interaction with the panel as it revises the report.

Sincerely,

Geoff Cooper
Vice President, Research & Analysis
COMMENTS OF THE RENEWABLE FUELS ASSOCIATION
IN RESPONSE TO
“BIOFUELS AND FOOD SECURITY”: V0 DRAFT CONSULTATION PAPER

I. The draft report disregards many of the recommendations submitted to the HLPE during the 2012 consultation to “set the track of the study.”

In May 2012, the HLPE solicited comments from stakeholders regarding the appropriate scope and approach for the study. The consultation included several subjective questions for stakeholder input regarding the impact of biofuels development on global food security. Nearly 50 responses to the consultation were submitted to the HLPE from a variety of stakeholders. Many stakeholder responses challenged the HLPE’s line of questioning for the consultation and encouraged the panel to approach the study in a balanced, science-based, quantitative, and objective manner. However, the V0 draft clearly demonstrates the HLPE disregarded many of these stakeholder recommendations. Comments from the European Commission summed up the general theme of many submissions, stating that “the scoping paper is focusing on risks without a proper focus to opportunities…” Indeed, the HLPE has largely ignored the recommendations received during consultation from the Argentinian government, European Commission, French government, Swiss government, United States government, Global Renewable Fuels Alliance, as well as submissions from independent citizen stakeholders.

II. The HLPE has inappropriately expanded the scope of the study, which was ostensibly to consider only the potential impacts of biofuels policies on food security.

In October 2011, the U.N. Committee on World Food Security (CFS) recommended a panel be assembled for a “review of biofuels policies – where applicable and if necessary – according to balanced science-based assessments of the opportunities and challenges that they may represent for food security… (emphasis added).” Clearly, the HLPE has departed from that intent. Rather than focusing on the potential impacts of respective biofuels policies, the V0 draft report meanders into broad, ideological discussions about the potential undesirable impacts of biofuels expansion in general. Amazingly, the draft report suggests that governments should not only reform biofuels policies, but also that they consider measures to restrict the free market-based growth of biofuels (e.g., “…we must advance beyond the discussion of mandates and subsidies to include mechanisms for controlling the growth of biofuels markets.”) Such language has absolutely no place in a report that was clearly intended to examine the positive and potentially undesirable food security implications of biofuels policies.

Indeed, the entire draft report is plagued with confusion of policy and market-based drivers of biofuels expansion and makes no serious effort to disentangle the two. This is somewhat ironic given that the draft disparages some previous analyses for considering “all influences” on commodity prices rather than the “incremental effects” of individual factors, such
as a specific biofuels policy. The draft report also opines on greenhouse gas emissions impacts, carbon accounting schemes, and other issues far outside the intended scope.

III. The literature review is extremely narrow and omits the conclusions of numerous recent studies.

The CFS requested that the HLPE “…conduct a science-based comparative literature analysis taking into consideration the work produced by the FAO and Global Bioenergy Partnership (GBEP) of the positive and negative effects of biofuels on food security.” The HLPE has wholly failed to conduct a rigorous, comprehensive and science-based literature review. Rather, the V0 draft cites a handful of studies (some of which are significantly outdated) that appear to support the preconception that biofuels expansion imperils food security. Further, the V0 draft makes only passing reference to the GBEP literature and largely omits previous U.N. FAO reports that examined the positive impacts of biofuels on food security in the developing world. For example, GBEP concluded that:

Modern bioenergy encompasses many technologies that have the potential to not only promote sustainable development, but also help meet two important needs in the developing world by enhancing food and energy security. … The latest research shows that when done rationally and thoughtfully, sustainable modern bioenergy creates a virtuous cycle that improves agricultural productivity and draws investments in to expand associated infrastructures and promote economic and social development.3

Further, the U.N. FAO found that: “Done properly and when appropriate, bioenergy development offers a chance to drive investment and jobs into areas that are literally starving for them.”4 These findings (and many others) from GBEP and FAO are curiously omitted from the V0 draft, even after the CFS explicitly directed their inclusion.

Additionally, the report is highly selective in its citation of literature on the land use impacts, commodity price effects, and food price implications of biofuels policies. On the topic of land use change, the V0 draft omits any discussion of Oladosu et al. (2012), Kim et al. (2012), Kløverpris & Mueller (2012), Tyner et al. (2010), Laborde (2011), and many other pertinent papers that dispute the flawed and outmoded findings of Searchinger et al. (2008), which is highly cited in the V0 draft. While the HLPE paper makes reference to some of FAPRI’s work on commodity and food price impacts, it fails to highlight the key conclusions from Babcock (2011) that U.S. ethanol policies “…have not been the major driver of higher commodity prices…” and the policies “…had little impact on consumer prices and quite modest impacts on crop prices.”

Assumptions regarding biofuel co-products used as animal feed, grain "diversion" and replacement, and crop yield growth are questionable.

In the grain ethanol process, one-third of every ton processed by a biorefinery returns to the animal feed market as “distillers grains” or “corn gluten feed.” While the V0 draft includes a “simplifying assumption” that 30 percent of the grain used for ethanol returns as animal feed, the report omits any meaningful discussion of the economic impact of these co-products on global animal feed and food markets. These co-products were the subject of a recent U.N. FAO publication, which concluded that animal feed co-products from grain ethanol production “… ha[ve] become the most popular alternative ingredient used in beef, dairy, swine and poultry diets in the United States and in over 50 countries worldwide because of abundant supply, excellent feeding value and low cost relative to maize and soybean meal.” The U.N. FAO publication also found that ethanol co-products replace both feed grains and protein meal and have a feeding value that is greater than corn itself for some species. Indeed, the U.S. Department of Agriculture has documented that 1 ton of distillers grains replaces 1.2 tons of corn and soybean meal in animal diets (Hoffman & Baker, 2011). Thus, the simple assumption included in the V0 draft is inadequate and greater attention should be paid to the impacts of ethanol co-products on global animal feed markets.

Further, the V0 draft report integrates an assumption from Edwards et al. (2011) suggesting that up to half of the corn and wheat “diverted” to ethanol would not be replaced “due to reduced food consumption.” Real-world data belies this assumption. For example, the global grain supply\(^6\) totaled 2,423 million metric tons (mmt) in 2005/06. Grain use for ethanol and co-product production was 54 mmt on a gross basis in 2005/06 (F.O. Licht, 2011), meaning 2,369 mmt of grain remained available for uses other than ethanol and feed co-products. By comparison, the global grain supply was a record 2,686 mmt in 2009/10. Grain use for ethanol and co-products totaled 143 mmt in 2009/10, meaning 2,543 mmt of grain were available for non-ethanol uses. Thus, the supply of grain available for non-ethanol uses (i.e., grain “left over” after accounting for grain use for ethanol) grew 7 percent between 2005/06 and 2009/10. Further, the supply of grain ethanol feed co-products grew 268 percent during this period. The combined supply of grain for non-ethanol use and ethanol feed co-products totaled 2,586 mmt in 2009/10, compared to 2,386 mmt in 2005/06. The amount of grain available for uses other than ethanol production is expected to grow more significantly in the long term, as grain use for ethanol moderates in accordance with slowing national volumetric requirements. Indeed, according to the recent U.N. FAO publication on animal feed co-products, “…the global grain and oilseed supply has grown substantially in recent years, such that increased use of these commodities for biofuels production has not led to reduced availability for feed or food use.”

With regard to crop yields, the V0 draft makes the dangerous mistake of assuming the future will behave like the past. Specifically, the report adopts the assumption that “future crop yield growth will roughly match yield growth in the previous fifty years…” However, research has shown that using past yield performance to predict future crop productivity is incorrect (see

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6 Wheat, rice, and coarse grains (corn, sorghum, barley, oats, rye, millet and mixed grains).
Edgerton, 2009). At a minimum, the HLPE should consider alternative scenarios where future yield growth is predicated on continued advancements in seed technology and management practices.

V. The draft report entirely fails to contrast the purported food security impacts associated with biofuels with the impacts associated with other energy options.

It is beyond dispute that all transportation energy options have economic and environmental impacts, including effects on global food markets. It is counterproductive to examine the potential impacts of any single transportation energy option in isolation of other competing options. Unfortunately, the HLPE draft report does just that. Despite recommendations submitted during the May 2012 consultation, the HLPE has neglected to compare the impacts of other energy sources on global food markets. For example, it is widely understood that increased volatility and higher prices in crude oil markets pose significant risks to economic development and food security in developing nations. As noted by Oladosu et al. (2012), biofuels help blunt the effects of higher crude oil prices by expanding the global transportation fuel supply with lower-cost energy. These effects are totally ignored in the V0 draft.

Over the long term, large-scale use of fossil energy is not sustainable, since it cannot be replaced at the same rate it is being consumed. The cleanest and most economical fossil fuel reservoirs and deposits have been, or are being, depleted. Newly-developed fossil energy deposits typically have much higher costs and negative impacts than earlier discoveries. Consequently, there is considerable interest in further developing more sustainable alternatives to these new fossil energy sources. Bioenergy is one of those alternatives.

Any evaluation of biofuels should require objective comparisons of the impacts of all energy options. Such evaluations should consider the impacts of each optional energy resource as it will be developed to supply future energy needs. Spatial considerations, such as regional characteristics, should also be included.

VI. The draft report misunderstands and mischaracterizes important aspects of U.S. biofuels policies.

The HLPE report demonstrates a lack of understanding with regard to U.S. biofuels policy. First, the draft report states the Renewable Fuel Standard (RFS) “…requires 15 billion gallons of biofuels to be met by maize…” by 2015. This is incorrect. In fact, the RFS does not require a single drop of corn-based ethanol to be used. Rather, the policy is written to allow a maximum of 15 billion gallons to be satisfied with corn-based ethanol. That is, if biofuels from other feedstocks—including imports—are more economical than corn ethanol, then they would be used in lieu of corn ethanol to satisfy the 15 billion gallon “renewable fuel” requirement. This error is symptomatic of the report’s misunderstanding of U.S. biofuels policy.
The report makes no mention of the environmental and economic safeguards built into the RFS to protect against undesirable impacts. The RFS includes several waiver provisions allowing the Environmental Protection Agency (EPA) to waive some or all of the requirements of the RFS if it is determined the policy is causing economic or environmental harm. The RFS also dictates that feedstocks used for biofuels production must come only from land that was already engaged in agricultural production as of the date of enactment of the program; that is, biofuel produced from feedstock coming from newly converted lands would not qualify for the program, and thus its cultivation is discouraged. The EU has similar feedstock sustainability requirements related to the Renewable Energy Directive and other renewable fuel programs. In addition, many existing national environmental programs and regulations are applicable to the biofuel supply chain, including feedstock production and logistics, biofuel production and distribution, and biofuel use. For example, U.S. farmers and biorefineries engaged in biofuel production must comply with provisions of the Clean Water Act, Clean Air Act, and other environmentally protective statutes.

The V0 draft also erroneously includes the now-defunct ethanol blender’s tax credit in much of its discussion and analysis of U.S. ethanol policies. As briefly acknowledged in one passage of the draft, the tax credit has expired. However, other passages suggest the tax credit remains in place. For example, Appendix III incorrectly states that “…the blender’s tax credit, a strong support measure to encourage ethanol demand in the US has been in place since the Energy Bill of 1978.” Further, Figure 3 of the report, which depicts the break-even corn price at varying oil prices, implies that the tax credit is still in effect. Finally, Appendix I absurdly estimates U.S. subsidies for ethanol at $7.7 billion, citing 2009 information from the International Energy Agency (IEA). The IEA source information suggests the bulk of that amount was comprised by the blender’s tax credit, which does not exist today.

These errors and omissions indicate an obvious lack of knowledge on the part of the HLPE with regard to the state of U.S. biofuels policy.

VII. Recommendations for revisions to the report

Given the immense potential of biofuels to enhance the quality of life in both rural and urban areas around the globe, we strongly encourage the HLPE to carefully consider the benefits of expanded bioenergy production when weighing the potential risks to food security. Specifically, we offer the following recommendations as the HLPE considers revisions to the draft:

- Re-examine the intended scope for the study and exclude discussion that is extraneous to the study purpose. Extraneous discussion of “controlling” free market-based growth of biofuels, potential greenhouse gas impacts, and other topics unrelated to food security should be avoided.

- Conduct a more thorough literature review and establish balance in the cited literature. In discussions of the current and future impacts of biofuels on food and
feed prices, consider the full breadth of research in this area and give particular attention to the most recent writings on this subject.

- When considering the impacts of existing biofuels policies and regulations, closely examine the safeguards against unwanted economic and environmental consequences that are already included in these laws.

- Be careful to delineate the impacts of biofuels policies on biofuels production levels from the impacts of global energy market dynamics and crude oil prices.

- To ensure proper context, examine other important factors that influence global food and feed prices, such as crude oil prices, trade policies, financial speculation in commodities markets, monetary policies, weather, technology underinvestment, infrastructure, etc.

- Give proper consideration to the ability of biofuels feed co-products, such as distillers grains from the grain ethanol process, to reduce pressures on feed prices and land use.

- Fully explore the role and potential of agricultural productivity gains in mitigating pressures on commodity supplies and land use.

- When considering sustainability and certification schemes, bear in mind that sustainability assessment is only a tool for consistently comparing the relative attributes of various future energy options. Analytical boundaries for sustainability assessment of various fuels must be symmetrical.
REFERENCES


