

Higher Food Prices, Higher Gas Prices: What's the Real Impact?

Rising gas prices seem to be a reality of American life, and the costs are startling if you take a look at Americans' expenditures on gasoline in the past five years.

- In January 2002, the retail price of gas was just \$1.15 a gallon. On June 23 of this year, the national average price across all grades of gasoline reached \$4.13 – an increase of 359%.
- In January 2002, an average American household's cost for one year's worth of driving (1,052 gallons) was \$1,210. As of June 23, a household will spend \$4,345 to drive for one year.
- The increase in gas prices since 2002 has cost the U.S. more than \$476 billion per year.

HOUSEHOLD GASOLINE COSTS	1/7/2002	1/3/2005	1/7/2008	7/2/2008
Cost of driving for one year	\$1,210	\$1,915	\$3,324	\$4,302
Retail gas prices per gallon	\$1.15	\$1.82	\$3.16	\$4.09

Sources: Federal Highway Administration (ave. household drives 21,252 miles per year); Energy Information Administration U.S. Retail Gasoline Prices http://www.eia.doe.gov/oil_gas/petroleum/data_publications/wrap/mogas_home_page.html;
U.S. Environmental Protection Agency www.epa.gov/oms/fetrends.htm (ave. 2007 light-duty fuel economy is 20.2 mpg)

Though much attention has been focused on the rising price of food, the increase in gas prices is by far a heavier burden for Americans. Take a look at these figures from the U.S. Bureau of Labor Statistics:

- At the beginning of 2002, an average household spent \$59 a week for food at home and \$25 for gas.
- As of May 2008, an average household spent \$72 a week for food at home and \$83 for gas.

WEEKLY COSTS for FOOD, GAS	Jan-02	Jan-06	May-08
Food at Home	\$59	\$63	\$72
Food away from Home	\$43	\$51	\$52
Gasoline	\$25	\$39	\$83

YEARLY COSTS for FOOD, GAS	Jan-02	Jan-06	May-08
Food at Home	\$3,086	\$3,297	\$3,743
Food away from Home	\$2,235	\$2,634	\$2,235
Gasoline	\$1,279	\$2,013	\$4,295

Source: U.S. Bureau of Labor Statistics, May 2008 Consumer Price Index (<http://www.bls.gov/cpi/cpid0805.pdf>) and Consumer Expenditure Survey 2000-2006 (<ftp://ftp.bls.gov/pub/special.requests/ce/standard/y0006/multiyr.txt>)

- Compared to the beginning of 2002, U.S. households now spend \$22 more per week on all food (both groceries and eating out), but \$58 more per week on gasoline.
- Since the beginning of 2002, U.S. households have experienced a 23% increase in their total food costs, but a 335% increase in their gasoline costs.
- If gas had increased at the same rate as food has since 2002, we would be paying \$1.39 per gallon.

TODAY vs. HISTORICAL PRICES	% vs. 2002	% vs. 2005	\$ vs. 2002	\$ vs. 2005
Food cost increase	23.1%	8.8%	\$22/wk	\$21/wk
Gasoline cost increase	335.8%	213.0%	\$58/wk	\$50/wk

Source: U.S. Bureau of Labor Statistics, May 2008 Consumer Price Index (<http://www.bls.gov/cpi/cpid0805.pdf>) and Consumer Expenditure Survey 2000-2006 (<ftp://ftp.bls.gov/pub/special.requests/ce/standard/y0006/multiyr.txt>)

Ethanol causes U.S. gas prices to be lower than they otherwise would be.

- **Over the Memorial Day weekend, ethanol's lower cost saved American motorists \$35 million a day, or more than \$100 million over the three-day holiday.**
Oil Price Information Service published national average rack prices, May 23, 2008.
- **Between 1995 and 2007, the growth in ethanol production has caused retail gas prices to be between 17 and 40 cents lower than would otherwise have been the case.**
Xiadong Du and Dermot Hayes, Center for Agriculture and Rural Development, Iowa State University. "The Impact of Ethanol Production on U.S. and Regional Gasoline Prices and on the Profitability of the U.S. Oil Refining Industry." April 2008. http://www.ethanol.org/pdf/contentmgmt/Ethanol_impact_on_gas_prices_lowa_CARD_42808.pdf
- **Without ethanol, the U.S. would have to find 7.2 billion more gallons of gasoline (5% more) to maintain current levels of travel. Meeting the demand without using ethanol would only bid up the price of gasoline.**
U.S. Departments of Agriculture and Energy, Responses to questions from Senator Bingaman, June 2008 http://www.ethanol.org/pdf/contentmgmt/USDA_DOE_biofuels_letter_61208.pdf
- **If ethanol producers weren't expanding their output, oil and gas prices would be 15 percent higher, meaning \$21 more per barrel for oil and 61 cents more per gallon for gas.**
Merrill Lynch commodity strategist Francisco Blanch, "As Biofuels Catch On, Next Task is to Deal with Environmental, Economic Impact." March 24, 2008 Wall Street Journal
- **Using a low estimate of 20 cents per gallon and a high estimate of 61 cents per gallon, the availability of ethanol is estimated to save each American household between \$210 and \$642 per year.**

Ethanol expands the world oil supply, keeping prices lower than they otherwise would be.

- **Biofuels are now the single largest contributor to growth in the world oil supply.**
Merrill Lynch "Biofuels driving global oil supply growth" Global Energy Weekly June 6, 2008
- **Without ethanol to expand the global fuel supply, oil prices would be at least \$35.70 per barrel higher.**
John Urbanchuck, LECG LLC, May 27, 2008, "Impact of Ethanol on World Oil Demand and Prices." <http://www.ethanol.org/pdf/contentmgmt/lecgworldoilpriceimpactupdate.pdf>

Ethanol is a step toward energy independence for the United States.

- **U.S. oil imports have dropped for the first time since 1977.**
U.S. Energy Information Administration
- **Foreign oil dependency is expected to fall from 60 percent to 50 percent by 2015, the same timeframe as the 2007 energy bill calls for U.S. biofuels production and use to approach 15 billion gallons.**
U.S. Energy Information Administration
- **America currently produces enough gasoline and ethanol to meet U.S. demand for 149 days of the year, or through May 29. It takes imported oil to make up the difference during the other 216 days on the calendar.**
American Coalition for Ethanol
- **By expanding U.S. ethanol production to 14 billion gallons, and encouraging simple conservation measures like tuning up vehicles and changing driving habits, America could supply its own transportation needs for 186 days – or through July 4th each year.**
American Coalition for Ethanol