

## KEY TRUTHS:

Ethanol is not driving up the price of food, and ethanol is lowering gas prices.

## TALKING POINTS:

### What's really going on with food prices?

- It's not ethanol. There is a long list of global factors impacting food prices, and ethanol is not at the top – or near the top – of the list.
- Historically, food prices have surged during times of higher crude oil prices, as we're seeing today.
- Higher grocery prices have little to do with corn costs and a lot to do with energy costs. Crude oil at \$120 per barrel makes it significantly more expensive to process, package, and transport all consumer goods.
- Research shows that energy prices have at least twice the impact on food prices than corn prices do.
- Less than 20 cents of your food dollar goes for on-farm costs such as grain, while more than 80 cents goes for energy-intensive costs such as processing, packaging, labor, and transportation.
- The food industry has benefited from low corn prices over the past decade and did not pass these savings on to consumers; now they have a convenient "ethanol smokescreen" to justify grocery price hikes.

### How does using corn for ethanol impact how much food is available in the world?

- Sweet corn, the type of corn eaten by people, is not used to make ethanol. Only field corn, the type of corn eaten by animals, is used for ethanol production. Ethanol does not take food away from the hungry.
- We're not using food to make ethanol. Only the starch is taken out of the corn kernel for ethanol, and all the nutrients are left intact and returned to the marketplace as animal feed.
- Ethanol production creates more livestock feed than would otherwise be available in the marketplace because the corn is fractionated into its useful parts and its nutrients are concentrated.
- Corn for ethanol is only about 2% of the worldwide corn market, not a large enough factor to be the cause of the recent dramatic increases in grain prices.
- According to USDA, the share of corn used for ethanol is projected to decrease, not increase. Total corn usage for ethanol will be down this year, while animal feed usage and exports will be up.

### Why are grain prices increasing?

- Worldwide demand for grain is increasing, especially with a growing middle class in China and India now being able to afford a better diet with more protein.
- The worldwide supply of grain has seen a shortage over the past year because of uncooperative weather in places like Australia and the U.S. where droughts and poor harvest conditions shorted the wheat crop.
- Speculative investment in the commodities markets is driving up grain prices beyond the increases generated by global supply and demand issues.
- "Sovereign wealth funds" based in the Middle East are reported to be investing billions in commodities.
- To put the increases in perspective – since 1949 corn prices have increased less than 400%, while oil prices are up more than 4,000%.

### How does ethanol impact the price of gasoline?

- Analysts say that oil and gas prices would be 15% higher if ethanol producers weren't expanding their output. At today's pump prices, ethanol is worth about 50 cents per gallon for American motorists.
- Growth in ethanol production has caused retail gasoline prices to be 29 to 40 cents lower per gallon than would otherwise have been the case, according to a study by Iowa State University.
- Ethanol expands the total amount of fuel available in the U.S., insulating against even larger price spikes.

### How are gas prices impacting Americans' pocketbooks?

- Retail gas prices have doubled in just three short years, and have tripled since 2002.
- According to the Bureau of Labor Statistics, the average American family spent about \$1,200 on gasoline in 2002. This year that amount will be well over \$3,000.
- The increase in gasoline spending – \$1,800 – is about equal to what the average U.S. household spends for food at home in one year.
- If gas hits \$4 a gallon, the increase alone since 2002 will equal what it costs to feed one person in your household for a year.
- Last year the increase in the price of gasoline was 4 times bigger than the increase in the price of food; so far in 2008 the increase in gas prices is 7 times higher than the increase in the price of food.