



The Web Site of The Sacramento Bee

This story is taken from [Sacbee](#) / [Opinion](#).

Big business concocts link of biofuels, food costs

By Brooke Coleman - Special to The Bee

Published 12:00 am PDT Saturday, July 19, 2008

You know the story. Food prices are up. There are many possible culprits, but one of them is allegedly our new appetite for biofuels made from so-called "food crops" such as corn.

Like all good public relations campaigns, the message is simple: Corn is used for biofuels, and that means less corn for food products, thereby making them more expensive. It's an effective message. So good, in fact, that biofuels are now part of any conversation about food prices.

Problem is, it's a message driven by corporate profit, not consumer concern.

It recently was discovered that the Grocery Manufacturers of America, the Washington, D.C., trade association representing many of the largest food companies in the world, is spending millions of dollars on this public relations campaign to blame biofuels for rising food prices, even going as far as staging an event recently at the Capitol in Sacramento.

But Sacramento isn't the only capitol in play. The Grocery Manufacturers are working closely in Austin with Republican Texas Gov. Rick Perry to overturn federal biofuels policy. But it turns out that Perry's anti-biofuel campaign started with a \$100,000 check from the infamous poultry magnate Lonnie "Bo" Pilgrim, one of the biggest polluters in Texas.

The Houston Chronicle reported this week that Pilgrim also paid \$9,000 in airfare for Perry and three aides to headline an anti-biofuels press event in Washington, D.C., in June, and signed a \$25,000 check to Perry's political committee one month after the governor launched the campaign.

While the Grocery Manufacturers point the finger at biofuels for food prices, Kraft Foods, which is on the Grocery Manufacturers' board of directors, boasts in a press release that company profits grew 9 percent in part because of its own "recent price increases." Kellogg's and General Mills are catching on quickly, crying publicly for the consumer while reaching deeper into their pockets in the grocery aisle.

The livestock industry is stoking the fire with millions of their own because they say biofuels are responsible for increasing the price of corn-based animal feed. Ethanol demand has slightly increased the price of corn, but a noted agricultural economist recently attributed 75 percent of the increase in corn prices to higher oil prices. Either way, they built their chicken empires on cheap corn feed, and they want their trough back.

When the Texas governor petitioned the Environmental Protection Agency to suspend federal biofuels policy, he referenced a biofuels study by Texas A&M. Except he forgot to mention the study's primary findings: The underlying force driving change in the agricultural industry is the price of oil, and that corn prices have "little to do" with food costs.

A simple analysis of farm costs tells the story. Of the major U.S. farm inputs, the prices of fuel and fertilizer have increased by the largest margin. Fuel costs are up by 100 percent in the past 12 months, as oil companies gorge on record profits. But fertilizer, also made from oil, is up 45 percent, the largest price increase of any farm input over the past 10 years.

Rising oil prices also spike freight costs. The average chicken travels 1,000 miles to market. This is because the vast majority of chickens come from huge poultry farms in Maryland or Arkansas. Imagine an 18-wheeler getting 6 miles per gallon from Arkansas to Sacramento. Now think about Arkansas to Maine. This is part of the reason why more than 80 percent of what we pay for food in the grocery store accrues after the farm, for marketing, packaging and transportation.

And this is where the Grocery Manufacturers' consumer concern becomes truly insincere. While using less biofuel might save the average family \$15 per year for groceries from slightly lower corn prices – assuming Kraft passes along the savings – using less biofuel will increase gas prices by 15 percent to 25 percent, according to Merrill Lynch. That's about \$500 per year at the pump per person.

And remember something about the federal biofuels policy that Big Food and Big Oil want to overturn: Sixty percent of the biofuels required by the law are advanced biofuels such as cellulosic ethanol. These are the fuels that that could fundamentally change U.S. fuel markets.

We must take the food crisis seriously, but it starts with an honest debate. Getting caught up in a manufactured food-vs.-fuel PR campaign will not discourage world leaders from defending bad trade policies that actually cause world hunger, and rolling back biofuel policy will not stop millionaires from trading food staples like baseball cards, infusing risk into basic commodities.

But suspending biofuel policy will do one thing. It will increase our dependence on foreign oil and spike gas prices even higher. And that's a consumer nightmare worth taking seriously.

Go to: [Sacbee](#) / [Back to story](#)

This article is protected by copyright and should not be printed or distributed for anything except personal use.
The Sacramento Bee, 2100 Q St., P.O. Box 15779, Sacramento, CA 95852
Phone: (916) 321-1000

Copyright © [The Sacramento Bee](#)