Statement of the 25x’25 National Steering Committee

Joint Economic Committee Hearing: Biofuel Impacts on Food Prices

May 1, 2008

Biofuels and their production have been the subject of recent media reports and studies that raise serious and complex questions about the merits of these home-grown alternative fuels and the viability of methods used to generate them. These issues are crucial, given that the Energy Information Agency predicts global energy consumption will grow nearly 60 percent by 2030. However, the alarmist tone of some of these reports suggest that we should retreat from plans to use sustainably produced biofuels to aid the transition to cleaner and more dependable energy solutions to meet our ever-growing demand for electricity and transportation fuels. In our view this would be a tragic mistake.

These claims only serve to entrench a fossil-fuel-based energy system that is not only finite, but as a look at gas prices will attest, failing. The real question is not whether current biofuel production will solve our transportation fuel needs, but rather: Will these first-generation supplements, and in some cases alternatives to fossil fuels, move us in the right direction? Will they take us to newer home-grown fuels that are cleaner, more sustainable, more secure, and of greater benefit to the global economy? A look beyond the alarmist claims shows evidence that biofuels produced the right way can provide long-lasting economic and environmental advantages over fossil fuels. And they can be produced without compromising our ability to meet food, feed and fiber needs.

Recent reports and media coverage suggest that biofuel production is a major contributor to recent increases in food prices. Facts prove otherwise. Skyrocketing transportation fuel and energy costs, along with erratic weather, increased demand and low stocks, and speculator investments in grain commodity markets, are the more significant contributors to the higher food costs around the globe.

Recent USDA studies have shown that for every dollar consumers spend on food, only 20 cents is attributable to the actual cost of the food product itself. The remaining 80 percent is tied to increases in labor, energy, transportation, advertising, packaging and other costs. These findings were affirmed by a recent Texas A&M study which concluded that energy prices have been the largest single driver of higher food prices.

While the current food crisis is global in scope and requires immediate action, it is inaccurate and misleading to assign primary responsibly to biofuel production. At the same time that U.S. ethanol production was dramatically expanding, U.S. food and feed
grain exports actually were increasing. Another key fact to remember is that the current global shortages of wheat and rice are not the result of biofuel production, as neither of these commodities is used to produce biofuels.

A recent University of Tennessee study commissioned by 25x’25 concluded that the United States has adequate land resources to secure 25 percent of its energy needs from renewable sources by the year 2025 without compromising the ability of the agricultural and forestry sectors to reliably produce safe and abundant food, feed and fiber at reasonable prices.

With continued advancements in technology and significant shifts in cropping patterns, U.S. farmers, ranchers and foresters can meet the 25x’25 energy goal. Continued yield increases in major crops, strong contributions from the forestry sector, utilization of food processing wastes, as well as the growth of over one hundred million acres of a dedicated energy crop, like switchgrass, will all contribute toward meeting this goal.

In our view there is little danger, especially over the long run, that biofuel production will impinge on food crop production. Feedstocks for the current generation of biofuels consist primarily of varieties of corn and oilseeds that are not grown directly for human consumption. American agriculture’s problem historically has been one of overproduction, which is why the United States has had perennial crop surpluses.

Looking to the future, non-food crops and materials now considered waste will become the primary feedstocks for biofuel production. Ongoing and growing research will optimize cellulosic feedstocks, including energy crops such as switchgrass, hybrid poplars and other prairie grasses, and residues such as corn stalks, wheat straw, forest trimmings, sawdust, wood chips, yard waste, municipal solid waste and even animal wastes. In addition, many experts believe new demand for biofuels can ease world hunger by attracting investment that supports agricultural improvements, which will benefit food production and reduce poverty conditions around the world.

Arguments that using land to grow biofuel feedstocks leads to the destruction of forests, wetlands and grasslands that store enormous amounts of carbon, leading to greater greenhouse gas emissions, ignore the reality that ever increasing worldwide demand for food and fiber by a growing and increasingly affluent population is the primary cause of land-use change in these regions. Simply eliminating biofuels will not stop land use changes from occurring, and in countries like Haiti that have already lost their forests, biofuel feedstock production could help reestablish forests and offer more affordable and sustainable energy options.

Produced the right way, biofuels provide a much-needed and environmentally sound alternative to petroleum fuels. As demand for liquid fuels continues to grow, petroleum resources continue to diminish. Efforts to develop new sources of oil from the Alberta tar sands in Canada is producing what environmentalists say is three times the level of greenhouse gas emissions when compared to conventional extraction. Meanwhile, University of Nebraska researchers say a five-year study shows switchgrass can produce
540 percent more energy than that required to grow, harvest and turn it into cellulosic ethanol.

In addition, conservation tillage and other agriculture and forestry residue management techniques used to produce biofuel feedstocks can provide a constant buildup of soil organic carbon leading to improvements in soil and water quality. Ohio State University researchers have concluded that the total potential of carbon sequestration in U.S. soils, counting croplands, grazing lands and woodlands, is nearly 600 million metric tons of carbon, or the equivalent of more than 2,200 million metric tons of carbon dioxide emissions—about 33 percent of total U.S. emissions.

Another underreported fact is that ethanol is actually lowering the price of transportation fuels for consumers. According to recent price reports by Axxis Petroleum and the Oil Price Information Service, ethanol for blending is selling for as much as 10 to 35 cents lower than gasoline, depending on the market. Francisco Blanch, an analyst at Merrill Lynch, recently reported that oil prices would be 15 percent higher without biofuels production.

In considering the role biofuels will play in America’s energy future, one must remember that our current corn ethanol platform is the foundation for a second generation of viable and affordable biofuels—one that will provide significant economic and environmental returns. Are today’s biofuels the perfect solution to our transportation fuel challenges? Certainly not. What they do represent is a pathway to ever-improving feedstocks and conversion technologies that will bring about increased income and employment for all economies, an improved environment and greater national security.

Meeting our nation’s growing demand for energy will require a wide array of resources including renewable sources like wind energy, solar power, geothermal energy, hydropower, biomass and biofuels. Increasing the percentage of our energy that comes from renewable sources is a distinctly better course for national security, the environment and our health. Biofuels are currently our only option for renewable liquid transportation fuel. It’s time for policymakers and those who attempt to influence them to look at biofuels in a measured and comprehensive manner, recognizing that while not perfect, they provide a critical pathway to a sustainable, cleaner and more secure energy future.

1 25x’25 is a diverse alliance of agricultural, forestry, environmental, conservation and other organizations and businesses that are working collaboratively to advance the goal of securing 25 percent of the nation’s energy needs from renewable sources by the year 2025. 25x’25 is led by a national steering committee composed of volunteer leaders. The 25x’25 goal has been endorsed by nearly 700 partners, 29 Governors, 15 state legislatures and the U.S. Congress through HR6 which was signed into law by President Bush on December 19, 2007.