

Biofuels

Scapegoat for Rising Food Prices

Contrary to what many experts in the media say, biofuels are not the cause of recent commodity and food price increases. Rather, biofuels are an *effect* of this volatility. This does not imply that biofuels are not causing further upheaval. They certainly are. Yet biofuels would not be cost effective, and therefore a non-player, were it not for increased world demand for conventional fuels and food. To argue that the current financial success of biofuels is subjugated to mandates is to ignore the like subjugation of conventional oil to the mandates of military intervention and tax royalty relief that accompanies new takings and exploration, respectively. At this point in time, both fuels are dependent upon government intervention. It is unrealistic to suggest that conventional oil could meet future demand without these government interventions. The same cannot be said of biofuels. Once the playing field has been leveled allowing the entrepreneurial spirit to realize potential, the diversity of raw materials capable of producing biofuels will establish a decentralized, innovative and competitive market. As equally important as the type of fuels our society invests in lies the issue of efficiency. Clearly, a change of fuel is not society's exclusive panacea. If we are to power our future with the resources that we have, we must do more with less. What follows is an abridged summary outlining the causes, effects and perplexities associated with "changing the oil" of America.

Key Elements Forming the Foundation for Rising Food Costs:

- 1). CHINA/INDIA** World demand for fuel, food and resources as two billion new capitalists rapidly enter the modern era has upset the market creating significantly higher demand against steady or diminishing supply.
- 2). AGRIBUSINESS DEPENDENCE UPON OIL/GAS/COAL** NPK fertilizers are derived from natural gas. Row cropping monocultures are diesel dependant. Animal confinements are diesel and coal dependant. This embodiment of oil, gas and coal into literally every aspect of agribusiness has created a debilitating and compounding of expenses as the price of this one systemic component is increased.
- 3). PARITY** There were two brief periods in the past century in which farm earnings have been at parity with non-farm earnings. In all other years, farm income was not in balance with costs it must pay to non-farm labor for goods and services. Until recently, prices paid to farmers for commodities had changed little since the 70's, yet the cost of production had gone up significantly. As a result, millions quit farming. Those remaining implemented agribusiness techniques, greatly increasing efficiency and yields. These techniques were dependent upon fossil fuels. These petro-dependent techniques created excessive supply, effectively lowering commodity prices below the cost of production - to be rectified via subsidy. Agribusiness has effectively served as a vacuum pump of sorts, sucking every last bit of yield from the field, the carcass and the teat. Due to escalating prices and diminished supply of fossil fuels, this vacuum "bubble" has now imploded, drawing to it the equilibrium that had been denied for decades.

The Double-edged Sward As \$100+per barrel oil induces a new market for alternatives, biofuels have, at least temporarily threatened to fill that void. This coupled with increased demand for corn exports has outstripped corn supply resulting in record prices for corn and many other crops as well as raising prices proportionately for certified organic grains, (even though no one is converting certified organic grains into biofuels). As conventional grain prices encroached upon the prices paid to organic farmers, organic prices had to rise to keep many of these farmers from defecting back to conventional. (There is currently very high demand for organic grains - so much so as to induce imports from China.) As the price of corn increases, more land is taken out of beans, wheat, hay etc, effectively lowering the supply of these commodities. Competition for additional corn acreage has also led to increases in farmland prices and land rental rates. Most significant of all, the price farmers receive for livestock has risen only marginally, if at all, yet the cost to feed livestock has risen dramatically. If the farmer raises row crop with intent to feed his own livestock, his *opportunity cost* associated with feeding the animal, (as opposed to the opportunity to sell the grain) is significant. Many hog and poultry operations are already in crisis, liquidating their herds and flocks which only serves to further depress livestock pricing due to the glut these liquidated animals impose upon the marketplace.

As you can see, on the surface, biofuels *appear* to be source of these tremors. Yet, when we follow the seismic waves to it's source, we find that world demand for oil and food is at the epicenter of this quake. But talk is cheap, so let's add further clarification. This is important as there are many highly credentialed talking heads in the media who assert that biofuels are the cause of high food prices. Let's dissect the price structure on an expensive \$3.50 box of corn flakes. Here are the variables :

Price of a 1 pound box of corn flakes: \$3.50	Amount of corn in this box: 1 lb.	Amount of corn in a bushel: 56 lbs
Farmers share of \$3.50 box of corn flakes at \$2.50/bushel corn (pre-biofuels):	\$0.045 per box	
Farmers share of \$3.50 box of corn flakes at \$5.00/bushel corn (present price):	\$0.09 per box	

Consumers are understandably frustrated with a forecast predicting \$4/lb or more for a box of cereal. This frustration has been whipped into anger towards farmers as consumers respond to the media. Yes, the farmer's share of a \$4 box of cereal has indeed doubled.....from a 1% share to a 2% share. Instead of focusing on the costs comprising 98% of the retail price, the media has aligned it's sites on the farmer's 2%.



Corn has become the darling of biofuels only because the infrastructure already exists to produce and handle this commodity, ("infrastructure" includes the lobbying groups that maneuvered the mandates.) There are numerous other crops that achieve much greater crop-to-fuel efficiencies. Perennials capable of sustenance on marginal soils as well as biomas-based ethanol are just a few examples that demonstrate greater efficiency but lack existing infrastructure, lack of lobbyists included. Biofuel opponents argue that the planet does not have the resources to biofuel cars and people. This is correct as worded yet the outcome is changed if we finish the sentence: The planet does not have the resources to biofuel cars and people *if we remain complacent with our present crop allocations*. We haven't yet asked all the questions that need asking. Even with the mistake of corn as the prime biofuel, we haven't asked: Should we be diverting so much corn to produce corn syrup? It's ubiquitous presence in our food has made us fat, perpetually spikes our blood sugar leading to diabetes and inflammation of our arteries. Should we continue to feed so much corn to cattle even though we now recognize the acidosis and subsequent e-coli response this creates? Should we ignore the science which demonstrates that corn-fed beef burdens our bodies with an excess of hazardous omega-6 fatty acids while being almost devoid of essential omega-3 fatty acids? Should we as a society, most farmers included, continue to respond as if shell-shocked, when someone reminds us that a bovine by nature, is not a corn-eating animal? If it's come down to food vs fuel, how much acreage should we continue to allocate for alcoholic beverages? Concerning our vehicles, wouldn't a doubling of the fuel economy standards, something technologically feasible at this time, provide the inverse effect on land required to produce biofuels? Furthermore, does it make any sense at all to be in the midst of an energy conundrum such as this without questioning why society condones using 5000 lb vehicles as commuter vehicles for a single 150 lb occupant? Certainly we can all see how questions like these create more enemy's than converts. The freedom - the prerogative to do as one pleases is as systemic in our culture as is the oil that has enabled this very freedom. In this light, it appears this prerogative will determine the result. Regardless, change is inevitable. The longer we wait, the harder we'll have to work , only to obtain diminished results.