

FOOD VS. FUEL FALLACIES

Three years ago, global food companies waged a deep-pocketed smear campaign against American ethanol. At the heart of their propaganda was the claim that ethanol was to blame for higher food prices (see [news story from Roll Call at GrowthEnergy.org/reports](#))

Since then, a series of credible government and academic studies have proven that ethanol's use of grain has, at best, a minimal impact on grocery prices. Because of oil's influence over the cost of packaging, marketing and transportation, the greatest driver of grocery prices is oil. When oil prices go up, so do grocery bills.

But, as this report by Growth Energy found, the profits of grocery manufacturers went up along with those checkout counter tallies. Specifically, record profits were seen by members of two major industry groups – the Grocery Manufacturers Association (GMA) and the American Meat Institute (AMI).

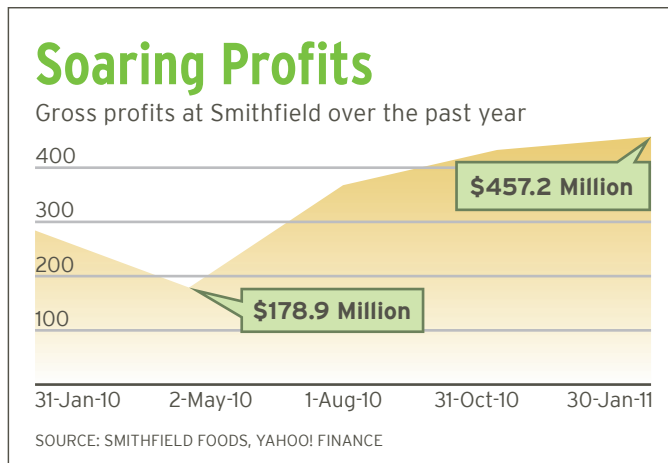
What lawmakers, the press and the public deserve to know is that these companies are raking in record profits at the same time they are perpetuating the Big Lie that ethanol increases grocery store prices. It is time to set the record straight.

BIG LIE: Ethanol is driving up costs for food companies.

AMI President and CEO J. Patrick Boyle [released a statement](#) on Mar. 9, 2011 claiming that the cost of feeding livestock had increased to the point where it was “[driving] up the cost of food production for everyone in the supply chain, trickling down to the consumer.”

TRUTH CHECK:

One day after the AMI statement, Smithfield, the world's largest producer and processor of pork, [reported](#) record gross income for the latest quarter bringing in \$457.2 million.



BIG LIE: Food costs are rising because of ethanol. Tyson Foods, Inc. Chairman John Tyson was quoted in a [March 10, 2011 Dow Jones news story](#) saying there's “no doubt” that food costs are rising because of ethanol.

TRUTH CHECK: When [comparing the first quarter of 2011 with the same quarter last year](#), gross profit at Tyson Foods increased 40 percent. For the company's fiscal year that ended Oct. 2, [the company reported](#) a record 109 percent increase in gross profits.

BIG LIE: Ethanol increases livestock feed costs, resulting in higher grocery store prices. On March 25, 2010, the Grocery Manufacturers Association, which represents food giants such as Kraft, General Mills, Coca-Cola and Smithfield, co-sponsored a [full-page ad](#) in beltway publication, *The Hill*, in which they said using higher blends of ethanol would “[increase] the cost of feeding livestock and poultry and the cost of making food.”

TRUTH CHECK: The cost of raw materials accounts for a fraction of the cost of most consumer goods, and processing, packaging and transportation make up a larger share of the price on the tag. Even the Chief Financial Officer of General Mills, in a story for the [Sept. 9, 2009 edition of the St. Paul Pioneer Press](#) covering his company's high profits, said that the public doesn't understand how small a portion grain costs represent in their overall expenses – as little as “5 to 10 percent of our input (costs).”



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This Big Lie persists because these grocery manufacturers are spending lavishly on advertising, public relations and lobbying lawmakers. Growth Energy identified the most common fallacies and addressed each one with the facts:

FALLACY: Ethanol drives up grocery prices and is responsible for high commodity prices.

FACT: Academic, government and third party research papers – including the most recent [World Bank study](#) and [Oak Ridge National Laboratory report](#) – all point to other factors, besides ethanol, as the major drivers of increasing commodity prices and grocery store bills, including rampant Wall Street speculators, high oil prices and the high costs of manufacturing, packaging and transporting. With the price of a gallon of gas nearing \$4, it is no wonder that Americans are starting to see prices rise on every day expenses, including groceries, clothing and personal items.

FALLACY: Ethanol production diverts corn that would otherwise be used to feed the hungry.

FACT: What most Americans don't know is that approximately 1 percent of all corn grown in this country is directly consumed by humans. The rest is No. 2 yellow field corn, which is indigestible to humans and goes to feeding livestock. In fact, a co-product of ethanol production is the high-protein distiller's grain that is used as a livestock feed; approximately a third of every bushel of grain that goes into ethanol is returned in highly-sought animal feed, replacing a greater volume of field corn and saving livestock producers money.

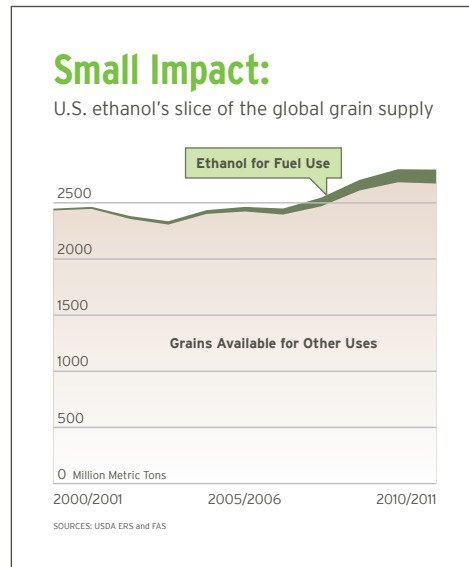
FALLACY: Farmers cannot produce enough corn for food and fuel.

FACT: American corn growers have demonstrated they have more than enough capacity to satisfy all demand for livestock feed, exports and ethanol. In fact, the United States corn growers were capably producing 11-13 billion bushels of corn

annually to satisfy domestic feed, industrial milling use, and export demand for many years, resulting in steady surpluses. Because of new technologies which allow farmers to grow more crops on fewer acres of land, corn farmers are poised to increase plantings even more to take advantage of the growing market for renewable liquid fuels.

FALLACY: Ethanol negatively impacts global food supplies.

FACT: The U.S. ethanol industry will use just 3 percent of the global grain supply on a net basis in 2011. It just isn't reasonable to suggest that using such a small slice of the global grain supply could be solely responsible for any rise in food prices or dip in supplies—especially when the U.S. industry uses not one bushel of food grains like rice or wheat.



BOTTOM LINE

“Food versus Fuel” is a fallacy perpetuated by an orchestrated campaign against ethanol, that was financed by companies that seek to profit from high grocery store prices.

