# **\*\*\*Food Prices DA\*\*\***

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#### Food prices will decrease

Business Standard 7/1 Devangshu Datta, “Watch out for monsoon, crude price and low rates,” Business Standard, 7/1/12, http://www.business-standard.com/india/news/watch-out-for-monsoon-crude-pricelow-rates-/479001/

In the circumstances, the investor needs to wait until rates come down, or growth accelerates. There are signs that the interest rate cycle has peaked, although the RBI is reluctant to cut rates just yet. The chances are, rates will ease before growth sees a turnaround. Core inflation, stripped of food and energy, is already down. This is no surprise, given low overall growth and a flat index of industrial production. The soft global economy has led to lower crude prices. Despite the weak rupee, this means less inflationary pressure on the energy front. If the monsoon is reasonable, food prices would also ease down. If the trends mentioned above continue for another quarter (implying a decent monsoon), lower rates become likely. Lower rates would create a compelling case for larger allocations into equity. Apart from changing the risk-reward matrix in favour of riskier assets, lower rates should mean banks and NBFCs cut their lending rates. That could create consumption demand and reduce the interest burden on corporates.

**Ethanol industry struggling now- low demand**

**Pore 6-22**

Robert Pore, staff writer for The Independent, “Low Profit Margins Hurting Ethanol Industry” June 22, 2012 <http://www.theindependent.com/news/local/low-profit-margins-hurting-ethanol-industry/article_aec1744e-5b68-5802-aab0-64e1c7ebab8b.html?mode=print> Accessed 6-30-12

According to U.S. Energy Information Administration, **this week ethanol production averaged 900,000 barrels per day** -- or 37.8 million gallons daily. **That is down 20,000 b/d from the week before and is** **a six-week low**. The four-week average for ethanol production stood at 906,000 b/d for an annualized rate of 13.9 billion gallons. Stocks of ethanol stood at 21.2 million barrels as ethanol inventories grew by 519,000 barrels, with every region in the U.S., except the Rocky Mountain region, experiencing stock builds. EIA reported that Midwest inventories rose to a seven-week high. "**We are seeing pretty soft demand for ethanol, so the price value of ethanol hasn't been very good**," Sneller said.

#### **Plan increases the amount of corn to ethanol production**

Heather Nachtmann and Letitia Pohl 2011 [July Ph.D. from Arkansas and writers for the Mack-Blackwell Rural Transportation Center and the National Transportation Security Center of Excellence “Sustaining Resilient Inland Waterways via Renewable Energy” http://www.uark.edu/rd\_engr/MBTC/MBTC\_DHS\_1108.pdf]

Over 60% of farm exports move on inland waterways, which translates to nearly 80 million tons of grain that move by barge annually (USACE, 2009). In contrast, almost all domestic shipments of grain are moved by either truck or short line rail. This difference in mode selection is due to the savings barge travel affords when travel distances are long, as in trips from the upper Midwest to a Gulf Coast seaport. As the domestic market for grain dramatically increases (primarily due to ethanol production increases), the trend is towards a greater reliance on trucking for grain shipment. This has led to increasing concern with the wear and tear on rural roads and bridges, and has motivated advocacy for inland waterway use for domestic grain shipments (Frittelli, 2005). Currently, about 90% of exported corn and the bulk of exported soybeans are moved by barge, since these crops are grown relatively close to the Upper Mississippi, Illinois and Ohio Rivers (Frittelli, 2005). Nearly 500 U.S. grain transfer facilities (see Figure 6) are served by water transportation, with over 125 facilities located on the Upper Mississippi River and the Illinois Waterway (USACE, 2005). This high barge traffic has resulted in congestion on critical waterways and wait times at the locks. Because of this, a major infrastructure improvement project under Congressional consideration is enlargement of the locks on the Upper Mississippi River and Illinois Waterway to make grain barge travel more efficient (Frittelli, 2005). Disruptions in this trade route could increase delays and have significant economic impact on the agricultural and waterways communities, particularly given the perishability of agricultural products. The future of the U.S. grain export market is dependent on a number of complex issues. An Institute of Water Resources study, which attempts to forecast grain shipments on the Upper Mississippi River, identifies three key changes occurring in the world grain trade which could impact both foreign demand and U.S. surplus: Brazil’s soybean sector, China’s agricultural import demand, and domestic ethanol production (Wilson et al., 2006). Future developments, while uncertain, have the potential to greatly impact the U.S. grain export market, thereby affecting the quantity of grain exports shipped on the rivers.

**Ethanol causes rising food prices**

Kevin **Bullis 2011**[March 23. Senior Editor for the Technology Review published by MIT. “Ethanol Blamed for Record Food Prices” http://www.technologyreview.com/news/423385/ethanol-blamed-for-record-food-prices/

**Federal ethanol mandates, which have led to a steady increase in the production of ethanol made from corn, are a major reason why food prices worldwide have reached record levels in the past several months**, according to some economists. Earlier this month, **the United Nation's Food and Agriculture Organization reported that global food prices had risen for eight consecutive months, reaching the highest levels since the agency started tracking prices in 1990.** The prices are high in large part because of steadily growing worldwide demand for food, and because of natural disasters that have hurt harvests, but they're also affected by government policies. **Federal ethanol mandates in the United States have played an important role in the increase in corn prices, which are approaching $7 a bushel, up from historical norms of $2 to $3.** The mandates—called the renewable fuel standard—require fuel distributors to use a certain amount of ethanol each year, with the amount increasing each year. In 2005, when the mandates were first introduced (legislation signed by President Bush in 2007 subsequently expanded the federal mandates), ethanol production accounted for only 5 to 10 percent of the demand for corn in the United States, says C. Ford Runge, professor of applied economics and law at the University of Minnesota. Now it's up to roughly 40 percent, he says. (The standard calls for 13.95 billion gallons of renewable fuel, almost all of which will come from corn-based ethanol.) **The increased production of ethanol has a large impact on corn prices, not only because it's a major source of demand, but also because the demand is fixed. In a free market, if the price of corn goes up, demand will go down, moderating corn prices. But the federal mandate requires the same amount of ethanol no matter how expensive corn is. "In the short run, there's no doubt that we have more volatile prices for corn because of the renewable fuels standard," says Wallace Tyner, professor of agricultural economics at Purdue University.** In the long term—in two to four years—if prices stay up, more farmers will plant corn, and supply will catch up to demand, he says. But the ethanol mandates will help keep corn prices higher than they have been in the past. The "new normal" will be something like $3 to $4 a bushel, he says. Runge says that mandates should be more flexible—adapting to corn prices. "What you really want is for corn to be used to make ethanol when corn is cheap," he says. This will help farmers by ensuring demand for their product. "When corn is expensive," he says, "you don't want it to be diverted to ethanol use when it's in heavy demand for feed and food." The exact impact of ethanol demand on food prices is hard to determine, because of the complex interplay of factors such as weather, market speculation, energy prices and so on. After a similar food price spike in 2007 and 2008, the Congressional Budget Office concluded that increased demand for ethanol accounted for between 10 and 15 percent of the food price increase, an estimate that has been echoed in several other studies. Estimates, however, have ranged from biofuels accounting for as much as two-thirds of the price increase, to biofuels having almost no impact. Some experts have suggested that energy prices could have a bigger role than biofuels in increased food prices. **The share of corn devoted to ethanol production has increased since the time period these studies analyzed. It was roughly 20 percent of the demand in 2007 (compared to 40 percent now).**

**Increased food prices will cause mass starvation killing 95% of the world  
Adams 8** – staff writer for naturalnews.com (April 23, “The Biofuels Scam, Food Shortages and the Coming Collapse of the Human Population”, <http://www.naturalnews.com/023091.html>)

So, to repeat, the food bubble is now starting to implode. What does it all mean? It means that as these economic and climate realities unfold, our world is facing **massive starvation and food shortages**. The first place this **will be felt is in poor developing nations. It is there that people live on the edge of economic livelihood, where even a 20% rise in the price of basic food staples can put desperately-needed calories out of reach of tens of millions of families. If something is not done to rescue these people from their plight, they will starve to death. Wealthy nations like America, Canada, the U.K., and others will be able to absorb the price increases, so you won't see mass starvation in North America any time soon** (unless, of course, all the honeybees die, in which case prepare to start chewing your shoelaces...), but it will lead to significant increases in the cost of living, annoying consumers and reducing the amount of money available for other purchases (like vacations, cars, fuel, etc.). That, of course, will put downward pressure on the national economy. But what we're seeing right now, folks, is just a small foreshadowing of events to come in the next couple of decades. Think about it: If these minor climate changes and **foolish biofuels policies** are already **unleash**ing **alarming rises in food prices**, just imagine what we'll see when Peak Oil kicks in and global oil supplies really start to dwindle. When gasoline is $10 a gallon in the U.S., how expensive will food be around the world? The answer, of course, is that it will be triple or quadruple the current price. And that means many more people will starve. Fossil fuels, of course, aren't the only limiting factor threatening future food supplies on our planet: There's also fossil water. That's water from underground aquifers that's being pumped up to the surface to water crops, then it's lost to evaporation. Countries like India and China are depending heavily on fossil water to irrigate their crops, and not surprisingly, the water levels in those aquifers is dropping steadily. In a few more years (as little as five years in some cases), that water will simply run dry, and the crops that were once irrigated to feed a nation will dry up and turn to dust. **Mass starvation will only take a few months to kick in. Think North Korea after a season of floods. Perhaps 95% of humanity is just one crop season away from mass starvation.**

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### Food Prices Down

**Food prices low now- large supply**

**FAO 6-7**

Food and Agriculture Organization of the United Nations, “FAO Food Price Index” June 7, 2012 <http://www.fao.org/worldfoodsituation/wfs-home/foodpricesindex/en/> Accessed 6-28-2012

» **The FAO Food Price Index** (FFPI) **averaged 204 points in May 2012,** down as much as 9 points (4 percent) from April and **the lowest since September 2010**. At this level, the FFPI would be about 14 percent below its peak in February 2011. **International prices of most commodities** (composing the FFPI) **weakened in recent weeks** on generally favourable supply prospects amid growing economic uncertainties and a strengthening US dollar. » The FAO Cereal Price Index averaged 221 points in May, down 2.3 points (1 percent) from April. **Wheat prices fell most following improved weather conditions and influenced by maize prices, which plunged following the release of the USDA report projecting a record maize crop in the United States**.

**Food prices are low now and will continue to drop this year**

**Business World 6-8**

Business World Online, “Global Food Prices Hit Nine-Month Low” June 8, 2012 <http://www.bworldonline.com/content.php?section=Economy&title=Global-food-prices-hit-nine-month-low&id=53155> Accessed 6-28-2012

**WORLD FOOD prices dropped to a nine-month low in May**, with all sub-indices posting month-on-month reductions on the back of ample supply of commodities, global economic uncertainties and a stronger US dollar, the Food and Agriculture Organization (FAO) said in a report released on Friday. The United Nations agency, however, noted that while crop prices have fallen from February 2011 peaks, they "remain still high and vulnerable" as output from ongoing cropping will depend mostly on weather conditions in the coming months. The FAO, in its Food Price Index dated June 7 and published on its Web site, said the **index fell nine points to 204 points in May from the previous month. The index in May, it noted, was the lowest level since September last year**, when it averaged 220 points. Specifically, from April to May, prices of: • cereals dipped 2 points to 221 points; • oils and fats decreased 17 points to 234 points; • dairy items dropped 22 points to 164; • sugar fell 29 points to 295 points; and • meat dipped by barely a point to 179 points. "**Sugar prices declined for the third month in a row**, reflecting larger availabilities in India, the EU and Thailand, and new supplies from Brazil entering the market. Markets were also pressured by declining oil prices and the strengthening of the US dollar," FAO explained. The agency also expects world cereal production to hit 2.42 billion tons this year, up 3.2% from 2011. Global rice output is also expected to increase 2.2% annually to 490 million tons, due to more planting in Asia. Rolando T. Dy. executive director of the University of Asia and the Pacific's Center for Food and Agribusiness, said that food prices in the Philippines will llikely follow the global trend of "softening" on the back of better supply and weak demand, barring major weather disruptions to supply lines. "In the Philippines, the market is well-supplied with sugar, vegetable oil and rice. So **prices are within low single digits till year-end**," said Mr. Dy in a text message on Friday.

**Food prices are dropping- high supply and currency fluctuations**

**AP 6-7**

Associated Press, “Global Food Prices Down Sharply” June 7, 2012 <http://www.usnews.com/news/world/articles/2012/06/07/global-food-prices-down-sharply?s_cid=rss:global-food-prices-down-sharply> Accessed 6-28-2012

ROME (AP) — A U.N. agency says **world food prices dropped sharply in May, reaching their lowest level in eight months due to favorable supplies and currency fluctuations**. The U.N. Food and Agriculture Organization said in its monthly report Friday that **global prices of a basket of food commodities fell by 4 percent in May**

#### Food prices low now – lower energy costs

Arnold 7/1 Kyle Arnold, World Staff Writer, “Food Inflation Data Shows Stabilization for Prices of Most Items,” 7/1/2012, Tulsa World, http://www.tulsaworld.com/business/article.aspx?subjectid=47&articleid=20120701\_46\_E1\_ULNSht285770&allcom=1

Tomato prices are down 25 percent from a year ago, selling for $1.34 a pound on average in U.S. cities, according to the Consumer Price Index. Sugar costs 5 percent less, milk 6 percent less and butter 14 percent less. The biggest decreases in price have been on food items that have the shortest production time, such as vegetables, which take four to six months to grow. Anderson said much of that has to do with energy prices, which are down slightly from a year ago. Nationwide a gallon of gas sold for $3.79 in May, 14 cents less than the same month a year ago. "It wasn't that long ago that we were talking about $5 a gallon for gas every year after Memorial Day," Anderson said. "Prices are lower than they were a year ago, and at that time we feared that gas prices could be much higher right now." Energy prices also affect other aspects of the food production process - from the natural gas-based fertilizer that farmers use in the fields to transportation costs from the farm to the factory, the factory to the warehouse and the warehouse to the grocery store.

#### Food prices are the lowest they’ve been in over 2 years

Bloomberg 6/7 Rudy Ruitenberg, staff writer for Bloomberg, “Global Food Prices Fall Most in 2 Years On Dairy Plunge,” Bloomberg, 6/7/2012, <http://www.bloomberg.com/news/2012-06-07/golbal-food-prices-fell-most-in-2-years-in-may-on-grains.html>

Global food prices had their biggest drop in more than two years in May as the cost of dairy products slumped on increased supply, easing strain on household budgets. An index of 55 food items tracked by the United Nations’ Food & Agriculture Organization fell 4.2 percent to 203.9 points from 213 points in April, the Rome-based agency reported on its website. That was the biggest percentage drop since March 2010. A stronger U.S. dollar may weaken the effect of falling prices on importers’ food bills, Abdolreza Abbassian, an FAO economist, said by phone from Rome. The U.S. Dollar Index, which tracks the exchange rate against major world currencies, jumped 5.4 percent in May, the biggest monthly gain since September. “The dollar has strengthened tremendously, so if you’re an importing country and you have to pay in dollars, you’re not really getting the full impact of these sliding prices,” Abbassian said. “You’re not getting the full effect.” Meat prices may fall in coming months, mirroring a price correction for dairy, according to Abbassian. The FAO Dairy Price Index slumped 12 percent to 164.1 points, the biggest drop since January 2009, while the meat index slipped 0.5 percent to 178.8 points. “The dairy decline is from a very high level,” Abbassian said. “It’s a delayed correction. It would not surprise me to see the same for meat.”

**World Food Prices Down Now**

**CBC News 6/7** [2012 “Food prices dropping due to bumper crop yields” http://www.cbc.ca/news/business/story/2012/06/07/un-food-prices.html]

**World food prices dropped sharply in May, reaching their lowest level in eight months due to strong supplies. The UN Food and Agriculture Organization said in its monthly report Friday that global prices of a basket of 55 food items such as grains, dairy, vegetables and meat fell by four per cent overall in May. That's the largest drop in percentage terms since March 2010.** FAO's grain analyst Abdolreza Abbassian said crop prices have come down sharply from their peak "but they remain still high and vulnerable due to risks related to weather conditions." Dairy prices dropped 12 per cent, sugar prices came down by nine per cent and oils and fats were seven per cent lower during the month. **The world is expected to produce 2.419 billion tonnes of grains this year, up 48.5 million tonnes or 3.2 per cent from last year's record level. The increase is mainly because of an expected bumper corn crop in the United States.** For wheat, the agency is expecting a slight contraction of three per cent in 2012 to 680 million tonnes but still well above the average of the past five years. **Bulk food prices are also coming down because of relatively low freight rates** at the moment.

#### Food prices have declined significantly

Maday 6/8 John Maday, managing editor of Drovers Cattle Network, “The Price of Food,” Drovers Cattle Network, 6/8/12, http://www.cattlenetwork.com/cattle-news/The-price-of-food-158165155.html?ref=155

One might think the changes in overall grocery spending is due to people eating more meals away from home, or that the reduction in spending on meat reflects a drop-off in meat consumption, but the figures suggest the real reason is that prices simply are lower. In inflation-adjusted dollars, prices in almost all major food categories have declined significantly since 1982. Looking at meats, the price of pork chops has dropped by 37.9 percent, chicken legs by 35.2 percent, steak by 30 percent, ground beef by 19.9 percent and bacon by 12.9 percent. Prices for many fruits, vegetables and other foods also have dropped significantly since 1982. Some exceptions include prices for flour and bread, which have increased by 0.2 and 12.2 percent respectively. Among vegetables, the price of peppers increased by 34 percent, likely reflecting the growing popularity of spicy Hispanic-styled food in the United States over the last 30 years.

#### Currently falling food prices are reducing hunger

Food Navigator 6/12 “Low Food Prices Should Lead to Hunger Reduction: FAO”, 6/12/12 http://www.foodnavigator.com/Financial-Industry/Low-food-prices-should-lead-to-hunger-reduction-FAO

Falling food prices due to good harvests and increases in stocks should mean a reduction in the number of hungry in the world in 2012, according to FAO Director-General Jose Graziano da Silva. “That means that we should expect a reduction in the number of hungry people in the world in 2012,” said Graziano da Silva. However, he warned that the food security situation in the Sahel and the Horn of Africa was still in a ‘critical state’. The FAO chief praised the response of the international community to the recent famine in Somalia, but said gains in Somalia are ‘still fragile’ and a sustained effort was needed to prevent a repetition.

#### **Food prices are low now, hunger is declining**

Bloomberg 6/11 Rudy Ruitenberg, “Hunger Seen Easing in 2012 by FAO as Food Prices Decline,” Bloomberg Businessweek, 6/11/12, http://www.businessweek.com/news/2012-06-11/hunger-seen-easing-in-2012-by-fao-as-food-prices-decline

World hunger is expected to decline this year as food prices fall due to good harvests and increased stockpiles, the United Nations’ Food & Agriculture Organization said. The food security situation in the Sahel and Horn of Africa regions is still critical, the Rome-based FAO said today in a statement on its website. The FAO’s index of global food prices had its biggest drop in two years in May as the cost of dairy products slumped on increased supply. Grain and sugar prices also declined. About 925 million people suffered from chronic hunger in 2010, according to the FAO’s most recent estimate. “We should expect a reduction of the number of hungry people in the world in 2012,” FAO Director General Jose Graziano da Silva was cited as saying. Graziano da Silva today asked the FAO’s governing council to approve reforms at the UN agency. Proposed measures include transferring many services and staff from the headquarters in Rome to country offices to be closer to issues of underdevelopment and hunger, the FAO wrote.

**Food Prices Increasing**

**Food prices will keep rising inevitably--rising population**

**Almeida 12**

Isis Almeida, reporter for Bloomberg, “Era of Food Prices Always Falling Seen at End as World’s Population Grows” Feb 5, 2012 <http://www.bloomberg.com/news/2012-02-05/era-of-food-prices-always-falling-seen-at-end-on-population-cargill-says.html> Accessed 6-28-2012

**The era of falling food prices has come to an end with the world population set to add another 2 billion people, according to Cargill Inc., the U.S. farm commodities trader**. The United Nations’ Food and Agriculture Organization has said **global food output must rise 70 percent by 2050 to feed a world population expected to grow to 9 billion from 7 billion now** and as increasingly wealthy consumers in developing economies eat more meat. **Food prices tracked by the FAO climbed to the highest ever a year ago on surging grain prices**. “You don’t have to be a reviving bull on commodities to believe that the era, which went from the 50’s, 60’s to 70’s and early 80s, of ever decreasing food prices in real terms has probably come to an end,” Paul Conway, vice chairman of Cargill, said at the Kingsman sugar conference in Dubai yesterday. The conference is continuing through tomorrow when Jacob Robbins, managing director of global sweeteners at The Coca-Cola Co., are among the scheduled speakers. **The FAO food-price index averaged 228 points last year, 23 percent more than in 2010 and above the 200 points recorded in 2008**, when food riots erupted from Haiti to Egypt. Prices since then have declined 11 percent by December. Cargill, based in Minnesota, trades all kinds of farm commodities, including cocoa, soybeans, corn, sugar, meat, wheat and ethanol. Conway is based in Cobham, England. **Wheat has doubled since the end of 2005, raw sugar is twice the price in December 2008 and orange juice climbed to a record last month**. Group of 20 farm ministers agreed to a plan last year in June to set limits on export bans and create a crop database to tackle what French President Nicolas Sarkozy called the “plague” of rising food prices.

**Food Prices rising again after 4 month decline**

**Cuesta 12**

Cuesta, Jose. (Senior Economist at the World Bank)"Q&A: Why Are Food Prices on the Rise Again?" *World Bank*. N.p., 8 May 2012. Web. 01 July 2012. <http://live.worldbank.org/qa-why-are-food-prices-rise-again>.

**After a four-month decline, global food prices jumped 8 percent during the first quarter of 2012.** This is causing hardship for millions of people worldwide, especially those with already-scarce resources.

### Food Prices High Now

**Corn prices high due to drought**

**Whoriskey 6/27**

Peter Whoriskey, staff writer for the Washington Post, “Drought threatens U.S. food prices”, June 27, 2012, <http://www.washingtonpost.com/business/economy/drought-threatens-us-food-prices/2012/06/27/gJQAzNZd7V_story.html>, Accessed 6-29-2012

**In less than a month, the future price of a bushel of corn has risen from $4.99 to $6.33**, Lapp said. The **supply** of corn in the United States, meanwhile**, is down about 8 percent** from last year, according to Agriculture Department statistics. The area affected by the drought is a swath of the Midwest that reaches as far west as Kansas, as far south as Arkansas and as far east as Indiana, according to the National Weather Service, and the dry conditions have come on fast. Last week, about 19 percent of the contiguous United States was facing drought conditions characterized as severe or worse. This week that percentage had grown to 24 percent, according to federal forecasters. “**Based on the drought outlook, the potential for further degradation is very high, and the potential to reach exceptional levels of drought — where there are major crop failures — is very high**,” said Matthew Rosencrans, a Weather Service meteorologist. “The climate signals we are looking at right now don’t correlate with wetness in that region.” Jay Armstrong, owner and operator of Armstong Farms in Kansas, flew his small plane over a portion of the affected area and landed with the impression that the **potential damage is far worse than is commonly understood**. “At this time of year, when you look down in a place like Indiana or Illinois, you should see just lush green fields,” Armstrong said. “I saw bare soil. I just thought to myself, **the market has no idea what’s coming**.”

**Food Prices high now—consumer price index**

**Welch 6/27**

Welch, Kevin. (staff writer for the Amarillo Globe news) "Food Industry Still Feasting on Higher Prices." *Amarillo Globe-News*. N.p., 27 June 2012. Web. 01 July 2012. <http://amarillo.com/blog-post/kevin-welch/2012-06-27/food-industry-still-feasting-higher-prices>.

**Prices for food** at home and in restaurants **are on the way up**, just not as fast as last year. **The U.S. Department of Agriculture’s Economic Research Service released its latest batch of numbers Monday showing food prices could be up as much as 3.5 percent for 2012.** The average annual increase for the years 1990-2011 was 2.8 percent, so the prediction is within the historical average. But the average is far below the 4.8 percent increase in 2011 we just got past. The report cautions the outlook is based on “normal weather conditions and no shocks to the global market for major commodities.” Good luck with that. The Southwest is struggling to shake off the historic drought, and now forecasters are saying the corn and soybean country in the Midwest is drying up rapidly. Then there's the outlook for world peace. At least it’s raining on Disney World. Here’s the quick wrap: **The Consumer Price Index is up 2.8 percent for food in general from last May**. Beef is up 5.4 percent since May with ground beef leading the way at 5.9 percent more expensive.

**High corn prices mean high prices for all foods**

**Whoriskey 6/27**

Peter Whoriskey, staff writer for the Washington Post, “Drought threatens U.S. food prices”, June 27, 2012, <http://www.washingtonpost.com/business/economy/drought-threatens-us-food-prices/2012/06/27/gJQAzNZd7V_story.html>, Accessed 6-29-2012

**A drought in the** Corn Belt and elsewhere in the **Midwest has pushed the bushel price of corn up about 27 percent in the past month alone, and there is little sign of rain in the near future, a forecast that could soon push up food costs across the country**, meteorologists say. Last week, 63 percent of the corn crop was rated in good or better condition, according to the Agriculture Department. This week, that figure had fallen to 56 percent. **Concerns arise as the crop approaches pollination, a particularly sensitive two-week period when bad weather can inflict significant damage**. “You only get one chance to pollinate over 1 quadrillion kernels,” said Bill Lapp, president of Advanced Economic Solutions, a Omaha-based commodity consulting firm. “There’s always some level of angst at this time of year, but it’s significantly greater now and with good reason. We’ve had extended periods of drought.” **Corn is among the most valuable of U.S. crops, and its price has ripple effects across a wide range of food prices**. Rising corn prices mean higher costs for beef producers who use it to feed their livestock; it also means that some fields planted with other crops will be shifted into corn production. **In addition, it puts upward pressure on the price of ethanol**.

**Food prices high now—UN report**

**Economic Times 12**

(News source) "FAO Says World Food Prices Stable in March." *The Economic Times*. N.p., 5 Apr. 2012. Web. 01 July 2012. <http://economictimes.indiatimes.com/news/international-business/fao-says-world-food-prices-stable-in-march/articleshow/12545489.cms>.

[**World food prices**](http://economictimes.indiatimes.com/topic/World-food-prices), after rising for two months, **levelled out in March but stayed high, the**[**UN's food agency**](http://economictimes.indiatimes.com/topic/UN's-food-agency)**said Friday. The** [FAO **Food Price Index**](http://economictimes.indiatimes.com/topic/FAO-Food-Price-Index), which measures the monthly change in prices of a basket of food commodities, **averaged 216 points in March, almost flat from 215 in February,** said the Food and Agricultural Organisation.

**Food prices up 36% in past year**

**Ecohydroponics.com 6/29**

(news source dedicated to reports on food prices and related issues) "Food Prices up 36% in 2012--Can Hydroponics Bring the Costs Down?" Ecohydroponics, 29 June 2012. Web. 01 July 2012.

Last year, wildfires in Texas, Kansas, and Oklahoma devastated over one million acres of farmland. Iowa and Minnesota experienced serious flooding. This year, there are fires burning in Colorado, Arizona, and Virginia, consuming crop lands and driving up supermarket shopping bills. **The cost of food is up 36% over the past twelve months, and it’s expected to rise further. In addition to natural disasters damaging wheat and produce crops, increased global demand for meat and dairy products has driven prices up worldwide and created shortages in even wealthy nations.**

**Prices high now—corn and other key crops expensive**

**Pleven and Moffett 12**

Pleven, Liam, and Matt Moffett. (staff writers for the Wall Street Journal) "Crop Prices in Growth Spurt." *Online.wsj.com*. Wall Street Journal, 12 Mar. 2012. Web. 1 July 2012.

**Prices for vital crops such as corn and soybeans are climbing again**, and could be primed to serve global policy makers, growers and consumers more stomach-churning swings in the months ahead. **Corn hit a six-month high** Monday, **climbing 3% amid persistently tight supplies.** Soybean prices are up 15% since mid-January as a South American heat wave cuts production there. Even wheat, though relatively abundant, rose 2% Monday.

**World food prices high—world bank indicates they’ll keep rising**

**Africa News 12**

Africa News. (news source) "Nigeria; Global Food Prices Up by Eight Percent - World Bank." *LexisNexis Academic*. LexisNexis, 27 Apr. 2012. Web. 1 July 2012.

**Global** **food prices increased by 8 percent from December 2011 to March 2012 due to higher oil** **prices, adverse weather conditions, and Asia's strong demand for** **food imports, according to the** **WorldBank Group's latest** **Food Price Watch.** The World Bank's Global Food Price Index was only one per cent below a year ago and 6 per cent below the February 2011 historic peak. **If the current forecasts for increased** **food production do not materialise, global** **food prices could reach higher levels**, underscoring the need to remain very vigilant.

**Food prices high—correlation with vegetable oils and grains**

**Vancouver Province 12**

(news source) "World Food Prices Rise Again." *The Vancouver Province* 8 Apr. 2012: n. pag. *LexisNexis Academic*. Web. 1 July 2012.

**Global food prices rose in March for a third month in a row driven by gains in vegetable oils and grains, adding to inflationary pressure, the United Nations' FAO index says. The index**, which **measures monthly price changes for a food basket of cereals, oilseeds, dairy, meat and sugar**, averaged 215.9 points in March, up from revised 215.4 points in February, data from the Food and Agriculture Organization showed. The FAO confirmed its earlier forecast for the world wheat output to fall 1.4 per cent from last year's record crop to 690 million tonnes in 2012

### Food Prices Stable

**Data from British Retail Consortium indicates food prices are stabilizing**

**Brandbank 6/8**

(European news source which compiles ecommerce data for dot com businesses) "Retailers 'see Stable Food Prices'" *Brandbank.com*. N.p., 8 June 2011. Web. 01 July 2012. <http://www.brandbank.com/en/news/view/retailers-see-stable-food-prices>.

**Figures from the British Retail Consortium** (BRC) **show that the price of food was stable for the second consecutive month in May, as the costs of crude oil and raw materials went down.** **The consortium said** coffee and sugar saw price drops last month, which fed through to other categories such as non-alcoholic drinks. The BRC Shop Price Index rose to 1.5% in May, up from 1.3% in April, with the rise driven by non-food prices. **Food prices have been stable since October**, bar a jump in inflation in March as oil prices increased, caused by fears over growing tensions between Iran and the West. BRC director-general Stephen Robertson said: "Food inflation held steady as easing commodity prices helped combat rising property and distribution costs." Meanwhile, the Consumer Prices Index measure of inflation fell to 3% in April, its lowest point for 26 months, as high street discounting eased pressure on households. Copyright Press Association 2012

**World food prices are stabilizing now—signs from futures market**

**Times of India 11**

(News source) "Futures Trade Points to Stable Food Prices." *The Times of India*. N.p., 2 Sept. 2011. Web. 01 July 2012. <http://timesofindia.indiatimes.com/business/india-business/Futures-trade-points-to-stable-food-prices/articleshow/9830103.cms>.

**If trends from the futures market are anything to go by, there are signs of prices of key food products stabilizing around current levels.** The only exception could be potatoes, where prices are projected to rise by over 40% between now and March 2012, which is soon after the harvest season. According to data culled from the government and commodity futures exchange, the spot price for 100 kg of potatoes is Rs 418, which traders are betting could rise to Rs 588 towards the end of March. It is quite possible that **in the coming months, the gap could get narrowed down and traders would lower their price expectations.** Besides, there could be a possibility of traders taking speculative positions though there is no information with the government at present. Gram is the other commodity where some price build-up is seen but December contracts do not reflect the market reality given that the new crop will enter the market after that **and prices would cool down.**

**Food Prices stable now—Consumer price index**

**Arnold 7/1**

Arnold, Kyle. (staff writer for Tulsa World) "Food Inflation Data Shows Stabilization for Prices of Most items." *Tulsa World*. N.p., 1 July 2012. Web. 01 July 2012. <http://www.tulsaworld.com/business/article.aspx?subjectid=47>.

It's nice, Spradling said, to be worrying about things like the weather again. **For the first time since** the Great Recession **started in 2007**, shoppers, supermarket owners and economists are observing that **food inflation for groceries is following a healthy and predictable course, increasing 2.7 percent between May 2011 and May 2012, according to the Consumer Price Index.**

**Ethanol Production Low Now**

**Ethanol industry struggling now- rising corn prices**

**Pore 6-22**

Robert Pore, staff writer for The Independent, “Low Profit Margins Hurting Ethanol Industry” June 22, 2012 <http://www.theindependent.com/news/local/low-profit-margins-hurting-ethanol-industry/article_aec1744e-5b68-5802-aab0-64e1c7ebab8b.html?mode=print> Accessed 6-30-12

**Low operating margins due to rising corn prices have led to the temporary closing of several ethanol plants**, such as the-120 million-gallon plant in Albion that is owned by Valero Energy. Earlier this week, Valero said it had temporarily idled its Albion plant but hopes to restart the plant in time to take advantage of the new corn crop or as soon as market conditions improve. **Corn prices are running at more than $6 per bushel**. Todd Sneller, administrator for the Nebraska Ethanol Board, said many ethanol plants shut down temporarily on an annual basis for maintenance. But this year, **low operating margins and high corn prices have impacted the industry, and those annual plant shutdowns could be extended into late summer to monitor the margins**.

**Ethanol Production Down Now – Valero Closing Plants**

**Gelsi, 6/28**

[Steve June 28 2012, Wall Street Journal Contributor and Steve Gelsi joined CBS MarketWatch in 1998 after 12 years as an Internet journalist and daily newspaper reporter. He serves as a TV and Internet correspondent covering Wall Street and individual investors from New York City., “Valero shuts down 2 ethanol Plants”, <http://www.informit.com/authors/bio.aspx?a=E939E3E6-25B1-4241-9935-700C728781CD> ]

**A combination of rising corn prices in the face of a Midwest drought and lower demand for gasoline has caused Valero Energy Corp.** [**(US:vlo)**](http://www.marketwatch.com/investing/stock/vlo?countrycode=US&link=MW_story_quote) **to shut down two of its 10 ethanol plants**, company spokesman Bill Day told MarketWatch on Thurday. Valero temporarily suspended production last week at its Albion, Neb., ethanol plant. Its Linden, Ind., facility shut down production on Tuesday. Each plant has the capacity to produce 120 million gallons of ethanol per year. A total of 120 employees work at the two plants. All of them will remain on the payroll and at their jobs during the shutdown, the company said. "We expect market conditions to improve to the point that we can restart production at the plants before the fall harvest," the company said.

**Ethanol Production Down – 5 Plants Closed**

**Hegeman, 6/30**

Roxanne[6/30/12, Associated Press Contributor, “Ethanol Makers idle plants amid high corn prices”, <http://thecabin.net/news/2012-06-30/ethanol-makers-idle-plants-amid-high-corn-prices#.T_CZY_WwXgU>

**Ethanol makers are cutting production, and some are temporarily idling plants** in the Midwest, **as corn prices skyrocket and demand for gasoline falls because people are driving less. More than 95 percent of the nation’s ethanol plants use corn starch as their basis for the biofuel.** That makes **these facilities especially vulnerable to high corn prices** in a commodity market nervous about triple-digit temperatures and drought in major corn-growing regions. Most of the more than 200 ethanol plants in the United States are in the Midwest, where most corn is grown. A glut of the biofuel is squeezing ethanol makers further. The poor economy and high gas prices have people driving less, and ethanol is primarily used in gasoline blends. “It is no different than the oil industry when markets are tight,” said Matt Hartwig, spokesman for the Washington-based Renewable Fuels Association. “When the market is tight, oil refineries idle plants or reduce production, and ethanol producers are simply doing the same thing.” The U.S. Department of Agriculture reported Friday that farmers planted 96.4 million acres of corn this spring. It’s the largest number of planted acres since 1937, when 97 million were planted. The revised estimate, based on early June farm surveys, is up from May’s estimate of nearly 92 million acres. The report, however, didn’t do much to ease fears about damage from heat or drought. “A lot of planted acres are going to be irrelevant based on weather conditions,” said Rick Kment, a Nebraska-based ethanol analyst for the agricultural data company DTN. Unlike in the early years of the ethanol industry, when a downturn could mean widespread plant closings and bankruptcies, the recent cutbacks are adjustments being made to manage risk when profit margins are narrow, Kment said. **About five ethanol plants have been idled off and on since the start of the year, while others have significantly reduced production**, he said. Among them is Valero Energy Corp., a major petroleum company that also operates 10 ethanol plants. Valero temporarily idled plants in Albion, Neb., and Linden, Ind., because it was costing the company more to make ethanol than it could sell it for, spokesman Bill Day said. Each ethanol plant buys corn from farms within a 50-mile radius, and when the local price of corn rose too high, production was halted. The move came amid drought in both states. “We expect this to be temporary. We don’t think this is a long-term thing,” Day said. “We are an energy company. We are well accustomed to the ups and down in the energy business, and we are a large enough, strong enough company that we can get through the downturns and benefit from the upturns.” The company has kept the 60 employees at each plant working, doing maintenance projects and keeping the facilities in a state where they can be restarted quickly once market conditions improve, Day said. He said Valero hoped the upbeat acreage report that came out Friday will quell some of the nervousness in the corn market and allow prices to drop, and that’s one reason it expects to have the idled plants back in production before harvest. But as triple-digit temperatures continue to bake the Midwest, smaller ethanol facilities have become increasingly nervous. Steve Gardner, manager of the East Kansas Agri Energy plant in Garnett, Kan., said it has been running at 80 percent of its capacity since the first quarter of this year. Corn costs are too high given how much the company is getting for its ethanol, and it has been reviewing the situation each month to determine whether to shut down. “We have been fortunate we haven’t had to do that” so far, he said. U.S. stocks of ethanol reached a record 23 million barrels in March and have been generally hovering above 20 million this year, said Sean Hill, biofuels analyst for the Energy Department’s Energy Information Administration. The nation ended 2011 with 18 million barrels. Most ethanol fuel sold for passenger cars and pickups today is 10 percent ethanol and 90 percent gas. A new blend that boosts ethanol to 15 percent would be sold for use only in 2001 and newer vehicles.

**Ethanol Production Decreasing**

**Ghosh, 6/20**Shameek [6/20/12, Platts is a leading global provider of energy, petrochemicals and metals information, and a premier source of benchmark price assessments for those commodity markets. Since 1909, Platts has provided information and insights that help customers make sound trading and business decisions and enable the markets to perform with greater transparency and efficiency. , “ US ethanol blending at 20-week low, stocks at three-week low: EIA data”, <http://www.platts.com/RSSFeedDetailedNews/RSSFeed/Oil/8361514> ]

The US **ethanol blending percentage has dipped 3.7 percentage points to 90.1%** for the reporting week that ended Friday, June 1, the lowest level since the reporting week ended January 13, as **ethanol stocks shrank 320,000 barrels to a three-week low of 21.188 million barrels**, according to weekly data released Wednesday by the Energy Information Administration. The **drop in the blending percentage resulted from a five-week low for the amount of gasoline blended with ethanol, which slumped** 454,000 b/d to 8.162 million b/d. The overall amount of gasoline produced edged down 97,000 b/d, to 9.056 million b/d. The amount of gasoline blended with ethanol is calculated by adding the volume of reformulated gasoline blended with ethanol and conventional gasoline blended with ethanol. The ethanol blending percentage is calculated by dividing the weekly amount of gasoline blended with ethanol by weekly total gasoline production. The draw in US ethanol stocks was on lower inventories in all US regions except for the Rocky Mountain region. East Coast stocks decreased 109,000 barrels to a three-week low of 8.225 million barrels, while Midwest stocks sank 144,000 barrels to 6.576 million barrels, the lowest level since the reporting week ended January 20, when it was 6.316 million barrels. West Coast stocks declined for the fourth straight week, down 27,000 barrels to a two-month low of 2.374 million barrels. Ethanol stocks in the Rocky Mountain region, however, increased 26,000 barrels to a month-high of 284,000 barrels. Although weekly ethanol production edged up 2,000 b/d to 904,000 b/d in the latest reported week, the ethanol days of supply dropped 0.4 day to 23.4 days of supply on the lower stocks. Days of supply are calculated by dividing weekly ethanol stock levels by weekly production. The four-week rolling average of motor gasoline demand decreased 54,000 b/d to 8.796 million b/d, or 4.2% below where it was at this time last year, when it was at 9.167 million b/d. Year-to-date levels trail the comperable 2011 period by 5.4%. The weaker ethanol blending percentage and gasoline demand figures were seen as a detriment to ethanol demand, sources said, but the lower inventory levels could help ease an over-supplied ethanol market.

**Ethanol Production Falling – Gas Prices and Lack of Federal Mandates**

**Johnson, 6/12**

James [ 6/12/12, James Johnson is the associate editor at Inquisitr.com where he spends his time investigating and covering trend setting, eye-opening, hard hitting and fun news stories of the day. James is also a veteran of the new media reporting industry where he has worked for the last 6 years. “Ethanol Production To Fall Flat, Potentially Decrease in 2012”, http://www.inquisitr.com/253085/ethanol-production-to-fall-flat-potentially-decrease-in-2012/ ]

**For more than 15 years** [**ethanol**](http://www.inquisitr.com/238337/bad-tasting-maple-syrup-blame-warm-weather-conditions/) **producers have been on a joyride**, watching as **their industry continued to beat market expectations. Now those** same **producers are in for a year in which production remains flat** year-over-year **and potentially even decreases.** The **Ethanol industry was pushed along** from 2005 through 2011 **thanks to government mandates** which helped subsidize the industry while requiring the use of ethanol based gas additives. During that six-year period ethanol production tripled to nearly 14 million gallons in 2011. **Based on that production schedule ethanol was making up 40% of US corn production which in turn pushed up corn prices.** Now **according to the** [**Wall Street Journal**](http://online.wsj.com/article/SB10001424052702303395604577434782358634706.html?mod=rss_whats_news_us) **gas demand in the United States is down by 6.7% from its 2007 peak.** In the meantime US capacity is outstripped demand as consumers buy less gas. This is not the first bump in the ethanol paved road, in 2008 producers were hurt and in some cases forced to close down ethanol producing plants when a surge in corn prices cut too deeply into profits. **The decline in gas consumption throughout the United States this time around seems to be having a more adverse reaction**, according to one economist: “A lot of people are rethinking their assumptions on the ethanol industry and the potential size.” While most agricultural based states are expected to weather the storm the effects specifically in corn communities are already being felt and will likely worsen if gas consumption remains low and supply continues to outstrip demand. Are you surprised by the sudden fall of the ethanol industry?

## Links

### **Waterways --> EP**

#### **U.S. Inland Waterways Key to Ethanol Production**

**USDA 2012** [February, United States Department of Agriculture “A Reliable Waterway System is Important to Agriculture” http://www.ams.usda.gov/AMSv1.0/getfile?dDocName=STELPRDC5097258]

U.S. ethanol production capacity at 195 operating refineries is nearly 14.2 billion gallons per year. (Renewable Fuels Association, Biorefinery Locations, February 13, 2012). Nearly 1.2 billion gallons of ethanol were exported in calendar year 2011, compared to nearly 403.5 million gallons in calendar year 2010, a 196 percent increase (Census Bureau, Department of Commerce). Major multimodal ethanol terminals include Albany, NY, Baltimore, MD, Chicago, IL, Houston, TX, Linden, Newark, and Sewaren, NJ, New Orleans, LA, and Providence, RI. Barges move an estimated 5 percent of ethanol. Barges also move some of the fertilizer needed to grow corn for the production of ethanol, as well as some of the distillers dried grains (DDG), an ethanol by-product used for animal feed. For every gallon of corn ethanol, about 6.34 pounds of DDG are produced. Over 7.6 million metric tons of DDG were exported in calendar year 2011. Increased ethanol production means increased corn acreage and transportation of fertilizer to grow the corn. USDA projects a corn harvested area of 84 million acres, yielding 147.2 bushels per acre, with 5 billion bushels to be converted to ethanol and by-products in 2011/12 (February 9, 2012, USDA World Agricultural Supply and Demand Estimates). Corn uses about 240 pounds of fertilizer per planted acre, as it has high nitrogen requirements. The United States imported 43 million short tons of fertilizer in calendar year 2011. This included 19.6 million short tons of nitrogen. (Census Bureau, U.S. Department of Commerce). Thousand Gallons U.S. Ethanol Exports 2011 2010 2009 2008Barge and Rail Competition According to U.S. Army Corps of Engineers’ statistics, in calendar year 2011 the total barge traffic (upbound and downbound) at Mississippi Lock 27, Ohio Lock and Dam 52, and Arkansas Lock and Dam 1 (USACE OMNI RPT 06 Waterway Traffic Report) included: Corn—20.7 million short tons Oilseeds—soybeans, flaxseed, and others—9.2 million short tons All chemical fertilizers—10.3 million short tons Processed grain and animal feed—4.5 million short tons Wheat—1.6 million short tons Rye, barley, rice, sorghum, and oats—0.5 million short tons Other agricultural, food, fish, and forest products—2.1 million short tons.

#### **Updating inland locks leads to increased ethanol production**

US EIA 02 U.S. Energy Information Administration, “Analysis of Selected Transportation Fuel Issues Associated with Proposed Energy Legislation – Summary”, released September 2002, http://205.254.135.7/oiaf/servicerpt/fuel/rfs.html

A large portion of the ethanol transported in an expanded ethanol market would also move in river barges on the inland waterway system. For the 5.1 BGY scenario in the DAI study, such shipments amount to 0.58 percent of current tonnage moved on the inland waterway system. While this is a relatively modest volume increase, it would occur at a time when traffic is already projected to rise 1.3 percent yearly. Perhaps more importantly, these shipments will originate on portions of the system already experiencing delays at some locks, such as the Missouri, Illinois, and Ohio Rivers all of which connect with the Mississippi and in turn the Gulf Coast. Delays have been caused by locks that are shorter than many barge tows (“trains” of individual barges), necessitating the time-consuming exercise of breaking a tow and reassembly after passing through the lock in two or more segments. In addition, northern reaches of the Mississippi River can be ice-blocked and not navigable during winter. In the case of shipments to the Gulf Coast (to stage product for loading onto ships), shippers may also experience delays at their unloading destination at certain times of the year. All of these factors may contribute to supply disruptions. In addition, further strains will be placed on the inland waterway system through increased shipments of grain based production, whether wet or dry mill, resulting in increased co-products such as Distillers Dried Grain and Solubles (DDGS) and animal feed. Present travel above St. Louis can be difficult to accurately schedule because of lock delays. Increased movements on the inland waterways may eventually require, or at least would be better facilitated by upgrading certain locks. However, because of environmental considerations, groups may oppose such expansion. Funding for maintenance and infrastructure improvements for the inland waterways system and associated locks comes from the Inland Waterway Trust (50 percent) and the Federal Government (50 percent). Certain maintenance projects are budgeted while funding for improvements would require enabling legislation. Although the Corps currently has plans to upgrade locks causing delays, they have no formal timeline and these projects have not been fully funded.

### **EP --> FP**

#### **Ethanol causes rising food prices**

Kevin Bullis 2011[March 23. Senior Editor for the Technology Review published by MIT. “Ethanol Blamed for Record Food Prices” http://www.technologyreview.com/news/423385/ethanol-blamed-for-record-food-prices/

Federal ethanol mandates, which have led to a steady increase in the production of ethanol made from corn, are a major reason why food prices worldwide have reached record levels in the past several months, according to some economists. Earlier this month, the United Nation's Food and Agriculture Organization reported that global food prices had risen for eight consecutive months, reaching the highest levels since the agency started tracking prices in 1990. The prices are high in large part because of steadily growing worldwide demand for food, and because of natural disasters that have hurt harvests, but they're also affected by government policies. Federal ethanol mandates in the United States have played an important role in the increase in corn prices, which are approaching $7 a bushel, up from historical norms of $2 to $3. The mandates—called the renewable fuel standard—require fuel distributors to use a certain amount of ethanol each year, with the amount increasing each year. In 2005, when the mandates were first introduced (legislation signed by President Bush in 2007 subsequently expanded the federal mandates), ethanol production accounted for only 5 to 10 percent of the demand for corn in the United States, says C. Ford Runge, professor of applied economics and law at the University of Minnesota. Now it's up to roughly 40 percent, he says. (The standard calls for 13.95 billion gallons of renewable fuel, almost all of which will come from corn-based ethanol.) The increased production of ethanol has a large impact on corn prices, not only because it's a major source of demand, but also because the demand is fixed. In a free market, if the price of corn goes up, demand will go down, moderating corn prices. But the federal mandate requires the same amount of ethanol no matter how expensive corn is. "In the short run, there's no doubt that we have more volatile prices for corn because of the renewable fuels standard," says Wallace Tyner, professor of agricultural economics at Purdue University. In the long term—in two to four years—if prices stay up, more farmers will plant corn, and supply will catch up to demand, he says. But the ethanol mandates will help keep corn prices higher than they have been in the past. The "new normal" will be something like $3 to $4 a bushel, he says. Runge says that mandates should be more flexible—adapting to corn prices. "What you really want is for corn to be used to make ethanol when corn is cheap," he says. This will help farmers by ensuring demand for their product. "When corn is expensive," he says, "you don't want it to be diverted to ethanol use when it's in heavy demand for feed and food." The exact impact of ethanol demand on food prices is hard to determine, because of the complex interplay of factors such as weather, market speculation, energy prices and so on. After a similar food price spike in 2007 and 2008, the Congressional Budget Office concluded that increased demand for ethanol accounted for between 10 and 15 percent of the food price increase, an estimate that has been echoed in several other studies. Estimates, however, have ranged from biofuels accounting for as much as two-thirds of the price increase, to biofuels having almost no impact. Some experts have suggested that energy prices could have a bigger role than biofuels in increased food prices. The share of corn devoted to ethanol production has increased since the time period these studies analyzed. It was roughly 20 percent of the demand in 2007 (compared to 40 percent now).

#### **Ethanol causes spikes in food prices**

Elizabeth **Weise 2011** [February 19. Staff writer for USA Today “Ethanol pumping up food prices” http://www.usatoday.com/money/industries/food/2011-02-09-corn-low\_N.htm]

A combination of natural calamities and congressional mandates has come together to drive world food prices to levels that make some governments in developing nations nervous, because higher costs can mean political instability. The toll on American grocery carts thus far is low, but analysts say price increases are coming. [China prepares for 'severe, long-lasting drought'](http://www.usatoday.com/money/world/2011-02-09-china-wheat_N.htm) The immediate causes of the rise are clear: bad harvests due to drought in [Russia](http://content.usatoday.com/topics/topic/Places,+Geography/Countries/Russia), China and [Argentina](http://content.usatoday.com/topics/topic/Places,+Geography/Countries/Argentina) and floods in [Australia](http://content.usatoday.com/topics/topic/Places,+Geography/Countries/Australia), among other things. But a longer-term cause may come as a surprise:— 24% of the U.S. corn crop is now mandated to go to ethanol, taking slack out of the world food market and making price shocks more likely, agricultural economists say. PRICES RISING: [Prices starting to creep higher](http://www.usatoday.com/money/economy/2011-02-04-inflation04_ST_N.htm) Add lower-than-expected corn yields last year and, according to [U.S. Department of Agriculture](http://content.usatoday.com/topics/topic/Organizations/Government+Bodies/United+States+Department+of+Agriculture) figures out Wednesday, U.S. reserves of field corn are at their lowest levels in 15 years. The demand for corn for ethanol is now at 4.9 billion bushels per year. Corn prices have almost doubled, from $3.49 a bushel in July to $6.10 in January. Corn futures, contracts to buy corn at a given price in the future, as of Wednesday were $6.90 a bushel. However, foreign production of corn and projected stocks this year are higher than in the past two years, buffering the global situation somewhat, says Heather Lutman, a corn analyst with USDA. For the 1.2 billion people who make $1.25 or less a day and spend 50% to 80% of their income on food, price rises mean hunger and less money for education and health care, says Gawain Kripke of Oxfam America, an anti-poverty charity. For Americans, there are "definitely indications that point to higher prices, but we've yet to see a major impact," says Ephraim Leibtag, a USDA food economist. Meat, dairy and eggs, primarily dependent on feed prices, are "less shielded from surges in commodity prices," he says. USDA is predicting rises in the food price index for 2011 of 3.5% to 4.5% for pork, 2.5% to 3.5% for beef, 2.5% to 3.5% for eggs and 4.5% to 5.5% for dairy. But corn, because it's made into high-fructose corn syrup, our most commonly used sweetener, is in many other items Americans buy as well. Companies likely to raise prices Thus far it's been "kind of stealth," but consumers will see the effects soon, says Joseph Saluzzi, co-founder of Themis Trading, a brokerage firm in Chatham, N.J. Companies don't want to increase prices, so they've cut expenses and even made packages smaller, he says. But as earnings statements came out this quarter "a bunch of companies have said they're going to raise prices," he says. The U.S. is the world's largest producer of field corn, at 13 billion bushels a year. Sweet corn, the kind we eat on the cob, is less than 1% of total corn grown. Since 2005, more and more of the nation's field corn crop has gone to create ethanol. Fuel blenders are obliged under the 2007 Energy Independence and Security Act to mix a certain amount of eligible biofuels into the gasoline they sell. The blenders receive a tax credit of 45 cents per gallon of ethanol. "For corn-based biofuels such as ethanol, the current mandate (under EISA) is 12.6 billion gallons, which increases to 15 billion in 2015 and remains at that level," says Tom Capehart, a USDA biofuels expert. At this year's level, 39% of U.S. field corn is used to produce the gasoline substitute. A third of that comes back into the food supply as distillers' grains, a by-product of ethanol production, which can be added to animal feed, bringing the total down to 24%. Corn farmers dispute the connection between high prices and ethanol. More corn is being grown per acre "thanks to technology in the seed and practices on the farm," says Bart Schott, president of the National Corn Growers Association. Instead, he points at "speculation in commodity markets, corrupt foreign regimes, currency fluctuation, hoarding by other countries and, of course, the weather" for rising prices.

#### Ethanol spikes global food prices

Richard **Perrin ‘8** [Agricultural Economics Department “Ethanol and Food Prices – Preliminary Assessment” http://www.ethanol.org/pdf/contentmgmt/Ethanol\_and\_food\_prices\_UNL\_Perrin\_08.pdf]

Food prices in the US increased about 16% over the last five years, 7% over the past 18 months, but rising grain prices have contributed only about a 3% cost increase over these periods. It is reasonable to conclude that ethanol is responsible for increases in US food prices about 1% in the last two years – a relatively small proportion of actual of U.S. food price increases. In food-insecure areas of the world, however, the impact of ethanol on food prices has been higher, perhaps as much as a 15% increase, simply because the typical food basket in those areas contains more direct grain consumption. One might object that ethanol uses only corn, and only corn in the U.S., independent of other grains and independent of the rest of the world. It is clear, however, that in this age of globalization, grain prices are set by the world market as a whole, and it is evident from recent production adjustments that all grain prices are closely related, primarily because of their substitutability in production agriculture, but also because of substitutability in consumption. If ethanol is not responsible for sharp increases in grain and food prices, what is? Hypotheses that have been offered include increasing energy costs in the production and distribution of food, higher demand for food grains because of increasing consumer incomes in China and India, unusually low world production of wheat, and speculative purchasing (acquisition of quantities to store for future use in case prices continue to climb.) Additional effort is required to examine the impact of these various factors.

#### Ethanol increases food prices

CBO 2009 [April, Congressional Budget Office, “The Impact of Ethanol Use on Food Prices and Greenhouse-Gas Emissions” http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/100xx/doc10057/04-08-ethanol.pdf]

Producing ethanol for use in motor fuels increases the demand for corn, which ultimately raises the prices that consumers pay for a wide variety of foods at the grocery store, ranging from corn syrup sweeteners found in soft drinks to meat, dairy, and poultry products. In addition, the demand for corn may help push up the prices of other commodities, such as soybeans. (Farmers that increase the number of acres they plant with corn to meet rising demand will most likely plant fewer acres with other crops.) From April 2007 to April 2008, the increasing demand for corn to produce ethanol contributed, in CBO’s estimation, between 0.5 and 0.8 percentage points to the 5.1 percent increase in the price of food overall as measured by the component of the consumer price index for all urban consumers (CPI-U) that measures food prices. 18 That is, the growing use of corn for ethanol accounted for about 10 percent to 15 percent of the increase in the CPI-U for food over the April-to-April period. That estimate has two parts: an assessment of how the boost in ethanol production contributed to increases in the price of corn, animal products, and soybeans; and a reckoning of how higher prices for those commodities contributed to the price of the foods measured in the CPI-U for food.

**Corn-Based Ethanol Increases Food Prices Globally**

**Biello 11**

(David, Editor of Environment and Energy news at Scientific American. Scientific American. “Intoxicated on Independence: Is Domestically Produced Ethanol Worth the Cost?” Date published: 7/28/11. Date accessed: 6/29/12. http://www.scientificamerican.com/article.cfm?id=ethanol-domestic-fuel-supply-or-environmental-boondoggle&page=2)

Take corn. The U.S. produces 60 percent of the world's supply of exported corn, and uses that which it keeps for everything from feed for livestock to the sweetener in your beverage of choice. **Turning corn into ethanol raises the price of corn, which in turn raises the price of foods such as steak or eggs. Corn now costs more than $7 per bushel, up from $2 per bushel at the turn of the 21st century. The CBO estimated that ethanol contributes as much as 15 percent to the recent rises in food costs. And that's not just the case in the U.S. The U.N. Food and Agriculture Organization noted in a 2008 report during the last food crisis that the increase in demand for sugar and corn for biofuels was "one of the leading factors behind the increase in their prices in world markets which, in turn, has led to higher food prices." In fact, the International Food Policy Research Institute has called biofuel subsidies in rich countries the equivalent of a tax on food.**

**Ethanol Production has increased the price of ethanol to record levels**

**Bullis 11**

(Kevin, Senior Editor of Energy News at the Technology Review. Technology Review News. “Ethanol Blamed for Record Food Prices.” Date published online: 3/23/11. Date accessed: 6/29/12. <http://www.technologyreview.com/news/423385/ethanol-blamed-for-record-food-prices/>)

**Federal ethanol mandates, which have led to a steady increase in the production of ethanol made from corn, are a major reason why food prices worldwide have reached record levels in the past several months, according to some economists. Earlier this month, the United Nation's Food and Agriculture Organization reported that global food prices had risen for eight consecutive months, reaching the highest levels since the agency started tracking prices in 1990**. The prices are high in large part because of steadily growing worldwide demand for food, and because of natural disasters that have hurt harvests, but they're also affected by government policies. **Federal ethanol mandates in the United States have played an important role in the increase in corn prices, which are approaching $7 a bushel, up from historical norms of $2 to $3.** The mandates—called the renewable fuel standard—require fuel distributors to use a certain amount of ethanol each year, with the amount increasing each year. **In 2005**, when the mandates were first introduced (legislation signed by President Bush in 2007 subsequently expanded the federal mandates), **ethanol production accounted for only 5 to 10 percent of the demand for corn in the United States**, says C. Ford Runge, professor of applied economics and law at the University of Minnesota. **Now it's up to roughly 40 percent**, he says. (The standard calls for 13.95 billion gallons of renewable fuel, almost all of which will come from corn-based ethanol.)

**Ethanol Production Increases Food Prices**

**Walsh 11**

Bryan Walsh, editor for Time Magazine. Time News. “Why Biofuels Help Push Up World Food Prices.” Date published: 2/14/11. Date accessed: 6/20/12. http://www.time.com/time/health/article/0,8599,2048885,00.html)

No one is arguing that biofuels are solely responsible for driving up food prices. Rising demand and bad weather play significant roles — droughts, heat waves and floods could become more common in the future as the climate warms. Speculators who buy up food futures as investments contribute to price volatility, too, though it can be tough to trace their exact role. But **it's clear that in a tighter market, diverting corn and other crops to biofuels will only act to raise prices. That might be worth it if biofuels provided substantial environmental and economic benefits, but there's significant research showing that corn ethanol's carbon footprint isn't much better than that of oil. Nor has ethanol done much to wean the U.S. off foreign oil — replacing 90% of our oil consumption with ethanol would require four times more corn than American farmers produce in total. The world will have 219,000 more mouths to feed tomorrow, and another 219,000 the next day. We'd be wise to use our food for food, not for fuel.**

### Warming I/L

**More Corn growing for ethanol trades off with domestic soy planting – leads to amazon deforestation for soy planting and increases GHG emissions**

**Biello 11**

(David, Editor of Environment and Energy news at Scientific American. Scientific American. “Intoxicated on Independence: Is Domestically Produced Ethanol Worth the Cost?” Date published: 7/28/11. Date accessed: 6/29/12. http://www.scientificamerican.com/article.cfm?id=ethanol-domestic-fuel-supply-or-environmental-boondoggle&page=2)

As the USDA noted in a report on gasohol in 1986: **ethanol** "**cannot be justified** on economic grounds" and "had no long-term prospect for survival without massive new government assistance." More recently, the Congressional Research Service noted in a report last October that if the entire all-time record **U.S. corn** crop of 2009 **was used to make ethanol**—it would only replace roughly 18 percent of national gasoline use. "Expanding corn-based ethanol to significantly promote U.S. energy security is likely to be infeasible," the researchers wrote. And then there are the environmental impacts, both direct and indirect. For example, fertilizer runoff from Midwestern corn fields promote algal blooms in the Gulf of Mexico that, in turn, create vast oxygen-deprived "dead zones". And, **growing more corn in the U.S. means the nation produces less soy, which drives up the price of that bean, thereby causing farmers in Brazil to clear more Amazon rainforest to plant more of the staple. That means massive greenhouse gas emissions, notes agricultural expert Timothy Searchinger of Princeton University. "We can't get to a result with corn ethanol where we can generate greenhouse gas benefits."**

**Greenhouse gases lead to warming through feedback loops—established scientific consensus**

**Stern 7**

Nicholas **Stern**, Head of the British Government Economic Service, **2007** (Former Head Economist for the World Bank, I.G. Patel Chair at the London School of Economics and Political Science, “The Economics of Climate Change: The Stern Review”, The report of a team commissioned by the British Government to study the economics of climate change led by Siobhan Peters, Head of G8 and International Climate Change Policy Unit, Cambridge University Press, p. 7-8)

**The causal link between greenhouse gases concentrations and global temperatures is well established, founded on principles established by scientists in the nineteenth century. The greenhouse effect is a natural process that keeps the Earth’s surface around 30°C warmer than it would be otherwise**. Without this effect, the Earth would be too cold to support life. **Current understanding of the greenhouse effect has its roots in the simple calculations laid out in the nineteenth century by scientists** such as Fourier, Tyndall and Arrhenius15. Fourier realised in the 1820s that the atmosphere was more permeable to incoming solar radiation than outgoing infrared radiation and therefore trapped heat. Thirty years later, Tyndall identified the types of molecules (known as **greenhouse gases), chiefly carbon dioxide and water vapour, which create the heat-trapping effect**. Arrhenius took this a step further showing that doubling the concentration of carbon dioxide in the atmosphere would lead to significant changes in surface temperatures. Since Fourier, Tyndall and Arrhenius made their first estimates, scientists have improved their understanding of how greenhouse gases absorb radiation, allowing them to make more accurate calculations of the links between greenhouse gas concentrations and temperatures. For example, it is now well established that **the warming effect of carbon dioxide rises approximately logarithmically with its concentration in the atmosphere**16. From simple energy-balance calculations, **the direct warming effect of a doubling of carbon dioxide concentrations would lead to an average surface warming of around 1 °C. But the atmosphere is much more complicated** than these simple models suggest. **The resulting warming will in fact be much greater than 1 °C** because of the **interaction between feedbacks in the atmosphere that act to amplify or dampen the direct warming** (Figure 1.4). **The main positive feedback comes from water vapour, a very powerful greenhouse gas itself**. Evidence shows that, as expected from basic physics, **a warmer atmosphere holds more water vapour and traps more heat, amplifying the initial warming**. Complex interactions within the system and estimate how changing greenhouse gas levels will affect the climate. Climate models use the laws of nature to simulate the radiative balance and flows of energy and materials. These models are vastly different from those generally used in economic analyses, which rely predominantly on curve fitting. Climate models cover multiple dimensions, from temperature at different heights in the atmosphere, to wind speeds and snow cover. Also, climate models are tested for their ability to reproduce past climate variations across several dimensions, and to simulate aspects of present climate that they have not been specifically tuned to fit. The accuracy of climate predictions is limited by computing power. This, for example, restricts the scale of detail of models, meaning that small-scale processes must be included through highly simplified calculations. It is important to continue the active research and development of more powerful climate models to reduce the remaining uncertainties in climate projections. The sensitivity of mean surface temperatures to greenhouse gas levels is benchmarked against the warming expected for a doubling of carbon dioxide levels from pre-industrial (roughly equivalent to 550 ppm CO2e). This is called the “climate sensitivity” and is an important quantity in accessing the economics of climate change. By comparing predictions of different state-of-the-art climate models, the IPCC TAR concluded that the likely range of climate sensitivity is 1.5° – 4.5°C. This range is much larger than the 1 °C direct warming effect expected from a doubling of carbon dioxide concentrations, thus emphasising the importance of feedbacks within the atmosphere. For illustration, using this range of sensitivities, if greenhouse gas levels could be stabilised at today’s levels (430 ppm CO2e), global mean temperatures would eventually rise to around 1 ° - 3°C above pre-industrial (up to 2°C more than today)18. This is not the same as the “warming commitment” today from past emissions, which includes the current levels of aerosols in the atmosphere (discussed later in this chapter).

### Plan Collapses Food Prices

**Current Inland Waterway Infrastructure fails raising food prices**

**United Soybean Board ’12** Organization in charge of Lobbying for US Soybean Production. “Crumbling Inland Waterway System Puts Farmers, Consumers at Risk”

<http://www.unitedsoybean.org/media-center/releases/crumbling-inland-waterway-system-puts-farmers-consumers-at-risk/>

“The GO committee invested in this study to calculate the impact of the worsening condition of the lock and dam system and what the impact would be on the rail and highway system if those locks failed,” says Laura Foell, soybean farmer from Schaller, Iowa, and chair of the GO committee. “It is important for all in the industry and in the public sector to have the information necessary to make informed decisions when it comes to investing in our locks and dams.” Just on the Ohio River alone, the accumulated shipping delays at broken-down locks has more than tripled since 2000, rising from 25,000 hours to 80,000 annually. And that gets expensive. **This study shows that a three-month lock closure would increase the cost of transporting 5.5 million tons of oilseeds and grain, the average shipped by barge during that period, by $71.6 million. A failure at any of the locks examined by the study could cost U.S. farmers up to $45 million in lost revenue. The U.S. inland waterways represent key infrastructure for transporting U.S. soybeans. Up to 89 percent of soybeans exported through the lower Mississippi ports**, such as the Port of New Orleans, arrive at those ports in barges that must transit multiple locks for the trip downstream. The study, conducted by the Texas Transportation Institute at Texas A&M University, examined the condition of locks on the Upper Mississippi River, Illinois River and Ohio River. **The study also calculated the economic impact of specific lock failures on districts within states, showing the effect on agricultural commodity prices—and on fertilizer and coal prices, which also depend on upstream river barge shipping. “It is important that we have a robust transportation system**,” adds Foell. “Only by using a combination of the lock and dam system, rail system and truck system can we continue to move our products in a manner that will help us feed the world.” The USB GO program and STC, which is made up of USB, the American Soybean Association and 11 state soybean checkoff boards, plan to examine new and different ways to fund lock and dam and other rural transportation infrastructure improvements. USB made public and private investment in transportation infrastructure one of its top two priority issues.

**Inefficient Inland Waterways costs Farmers Millions and decrease competition**

**Emerson ’02. Jo Ann Emerson, r**epresents the 8th Congressional District of Missouri in the U.S. House of Representatives. “A Story for the Mississippi River”

<http://www.politicsol.com/guest-commentaries/2002-03-04.html>

When speaking of the Mississippi, Mark Twain said, the river is a "wonderful book (with) a new story to tell every day." Description: Description: http://www.politicsol.com/gifs/pixel.gif This [past] week as the Army Corps of Engineers (Corps) testified before the Energy and Water Appropriations Subcommittee, the words of Mark Twain seem to resonate and underscore the importance of the "next chapter" of the Mississippi River and other waterways throughout the nation. During Congressional hearings the Corps highlighted the importance of the operation and maintenance of our locks, dams and levees and the role our waterways play in promoting and enhancing economic development and trade opportunities in the global marketplace. Description: Description: http://www.politicsol.com/gifs/pixel.gif Currently the Corps operates and maintains 25,000 miles of inland, intercoastal and coastal waterways and channels in the U.S. including 12,000 miles of commercially active inland and intercoastal waterways. Through state and local partnerships, the Corps serves 41 states and 926 harbor projects -- including projects underway in New Madrid, Mississippi, Pemiscot and Cape Girardeau counties. In addition to providing states with the ability to invest in critical flood prevention and recreational projects, the Corps works to enhance strategic economic opportunities for towns along the Mississippi River**. Commodities of great value to the global marketplace like coal, petroleum, industrial metal, minerals and a whole host of agriculture products flow down our waterways every year. Farmers utilize the waterways because of their geographical proximity to farms and processing facilities. The result is that more than 68% of our corn exports and 71% of our soybean exports in the nation move by inland waterways.** While our current highway system in Missouri is in dire need of improvement and repair, **farmers benefit from and depend on the waterways for low cost transportation in order to be competitive in world export markets. A quarter of the price farmers receive for export grain and soybeans depends on low-cost river transportation.** One barge can move 22,500 tons of cargo, while on land it would take 225 rail cars or 870 tractor-trailer trucks. The barge moves that same amount of cargo at a savings of $10.76 per ton -- that works out to $7 billion a year. **The savings keeps food costs lower for consumers and for farmers** who are suffering from historically low prices, those are savings that are easy to see, touch and feel. In addition to the lower costs, waterway transport is quieter than trains or trucks, the emissions are lower than rail or trucks, and barge transportation is the safest mode of the three modes of transportation. Description: Description: http://www.politicsol.com/gifs/pixel.gif **Although waterway transport is more affordable and has substantial benefits to rail and road transportation, the structure of our waterways is in need of maintenance and repair**. The Corps notes that 51% of its lock chambers are 50 years old, that **waterway traffic is projected to increase by about a third to over 830 million tons by 2020, and that locks should be modernized and properly maintained to avoid delays and congestion**. Like some have said, "The costs of maintaining our waterways, airports, and air traffic control systems...are substantial. However, **the price of not keeping up with transportation system demand is decreased productivity, products that are less competitive, and a lower standard of living."** Description: Description: http://www.politicsol.com/gifs/pixel.gif As hearings resume and work on the budget for the Army Corps of Engineers continues, we'll continue to work toward a budget that promotes affordable transportation and enhances economic development opportunities for our region. Doing so, will allow us to add to the book of which Mark Twain spoke -- and make it a worthwhile story for the future of Southern Missouri.

**Inland Waterway failures cause severe economic distress for consumers**

**Center for Ports and Waterways ’11**. Provides research for organization with a maritime interest. “America’s Locks and Dams: A Ticking Time Bomb for America?”

<http://www.unitedsoybean.org/wp-content/uploads/Americas_Locks_And_Dams.pdf>

**Agriculture accounted for 22% of all transported tonnage and 31% of all ton-miles in the United States** in 2007. 1 The surface transportation system in the U.S. is central to agriculture’s ability to compete in domestic and world markets. **The rapidly deteriorating condition of the nation’s lock and dam infrastructure imperils the ability of the waterborne transportation system to provide a service that will enable U.S. agricultural producers to continue to compete**. **Should a catastrophic failure of lock and dam infrastructure occur, agricultural producers—and consequently the American consumer—will suffer severe economic distress**. This research analyzes data and evaluates information that will illustrate this vulnerability at a micro level rather than the traditional macro level. **The task of transporting agricultural commodities from the farm to first handlers and processors and ultimately to domestic and international retail markets and ports requires a highly developed**, integrated transportation network, of which **marine transportation** is a vital component. A high percentage of these commodities pass through one or more locks on their way to market. Should a waterway be closed due to one or more lock failures, the resultant increase in cost that would be incurred in utilizing truck or rail transportation would decrease or even eliminate the cost advantage of U.S. Midwestern producers. This would be especially detrimental to export shipments. From 2005 through 2009, 87–91% of corn exported through lower Mississippi ports arrived at the ports via barge; for soybeans, the percentage was 87– 89%

**Inland Waterway failure has catastrophic effects on prices for consumers and over stress highways**

**United Soybean Board ’12** Organization in charge of Lobbying for US Soybean Production. “Dilapidated Locks on US Rivers put Farmers at Risk, Consumers at Risk”.

<http://www.unitedsoybean.org/global-opportunities-briefings/dilapidated-locks-on-u-s-rivers-put-farmers-consumers-at-risk/>

**The study expresses grave concern about aging locks and dams along these rivers that serve as critical pieces of the U.S. inland waterway system**. It shows 54 percent of the structures have bypassed their typical service life of 50 years old and 36 percent exceed 70 years old. **The effect this aging has on the usability of the rivers can be seen in the increasing number of hours of delays experienced by barges in tow**. On the Ohio River alone, outages have tripled since 2000, going from 25,000 hours annually to 80,000 in 2010. Delays can be costly. According to the study, **a three-month lock closure could increase the cost of transporting 5.5 million tons of oilseeds and grain, the average shipped by barge during that period, by $71.6 million. A failure at any of the locks examined by the study could cost U.S. farmers up to $45 million in lost revenue**. **The majority of lost revenue could be from the increase in transportation costs, since shipping by barge remains the most economic method**. A lock closure lasting one month on either the Illinois or Mississippi river would divert more than 30 million bushels of grain and oilseeds from the Gulf Port to the West Coast, which increases shipping costs due to higher rail and ocean-shipping costs. A month long closure on the Ohio River results in 14 million bushels of grain and oilseeds shifting to the Great Lakes and East Coast away from the Gulf Coast**. If shipping by barge became unavailable, many shipments would be sent by rail**. Currently the rail system has the capacity to handle additional commodity shipments, but with rail traffic predicted to increase by 2035, that may not be the case in the future. **Truck traffic could also see an increase if a lock failure resulted in a long-term closure to barge movement on a major river. This would especially be true if capacity for rail shipping becomes constrained. Increases in truck traffic for shipping commodities could not only drive up prices, but also further stress the already suffering U.S. surface transportation system. U.S. farmers could also pay an increase in agricultural inputs, such as fertilizer and fuel, which would affect consumers, too, if the inland waterway system became unavailable**. **According to the study, fertilizer costs alone would increase $8 per ton if alternate transportation methods had to be used. In addition, energy costs, especially for the East Coast, would increase.** The U.S. Army Corps of Engineers has worked with the navigation industry to evaluate and prioritize the maintenance and rehabilitation of these structures. The study examined six of these projects, finding that cost estimates for just these projects totaled approximately $4 billion. Only $1.8 billion of that has been funded by 2012. The Corps currently maintains or operates 221 locks at 185 sites.

**Inland Waterway transport keeps food prices down**

**Tennessee Valley Authority, No Date**. Us organization providing electricity to southeastern states. “Economic Significance”.

<http://www.tva.com/river/navigation/economic.htm>

The economies of water transportation are clear: **Products that are made from commodities shipped in bulk quantities would cost more without the option of river transportation.** **The river’s availability as a competitive transportation option also helps to keep truck and rail prices down. River transportation has a direct impact on the prices consumers pay for the things they buy**. **Soft drinks, ice cream, baked goods and pancake syrup, for example, are all sweetened with high-fructose corn syrup made from grain grown in the Midwest.** Some of this corn is **loaded onto barges** and shipped down the upper Mississippi River, then up the Ohio River and eventually up the Tennessee River to a processing plant in Loudon, Tenn. **Because a reliable, inexpensive river route is available, these goods — and many other consumer products — cost less.** Navigation has contributed greatly to the economic and industrial development of the Tennessee Valley as a whole. For example, the poultry industry in north Alabama would not have located where it did without water transportation. The economies of cities like Decatur and Chattanooga would not be as dynamic as they are today, were it not for the Tennessee River. Substantial investments have been made in waterfront plants, terminals and distribution facilities all along the river. These industries provide direct employment for many thousands of residents of the TVA region. Thriving river traffic is a key ingredient in a healthy economic future for the region.

## High Food Prices Bad

### War

**High Food Prices lead to Economic Crisis and Global War**

**AFP 8**

[Agence France Presse. “IMF warns rising food prices raising risk of war”, Published Apr 12, 2008, <http://afp.google.com/article/ALeqM5hL9XafrtiaulCYd-cHwk4eonPFGw>]

WASHINGTON (AFP) — **Rising food prices could have terrible consequences for the world, including the risk of war, the IMF has said, calling for action to keep inflation in check. "Food prices, if they go on like they are doing today ... the consequences will be terrible,**" International Monetary Fund managing director Dominque Strauss-Kahn said. "**Hundreds of thousands of people will be starving ... (leading) to disruption of the economic environment**," Strauss-Kahn told a news conference at the close of the IMF spring meeting here**. Development gains made in the past five or 10 years could be "totally destroyed," he said, warning that social unrest could even lead to war. "As we know, learning from the past, those kind of questions sometimes end in war**," he said. If the world wanted to avoid "these terrible consequences," then rising prices had to be tackled. **Skyrocketing prices on rice, wheat, corn and other staple foods like milk particularly hurt developing nations, where the bulk of income is spent on the bare necessities for survival.** Higher energy prices, too, are driving up the cost of food, as well as stoking broader inflation. In recent months, **rising food costs have lead to social unrest in several countries such as Haiti and Egypt**. Thirty-seven countries currently face food crises, according to the Food and Agriculture Organization. Escalating inflation is complicating the already complex challenges of a global financial crisis battering the world economy, Strauss-Kahn said. The 185-nation IMF called for a strong front to put the reeling world economy back on track.

**Mass Starvation**

**Increased food prices will cause mass starvation killing 95% of the world  
Adams 8** – staff writer for naturalnews.com (April 23, “The Biofuels Scam, Food Shortages and the Coming Collapse of the Human Population”, <http://www.naturalnews.com/023091.html>)

So, to repeat, the food bubble is now starting to implode. What does it all mean? It means that as these economic and climate realities unfold, our world is facing **massive starvation and food shortages**. The first place this **will be felt is in poor developing nations. It is there that people live on the edge of economic livelihood, where even a 20% rise in the price of basic food staples can put desperately-needed calories out of reach of tens of millions of families. If something is not done to rescue these people from their plight, they will starve to death. Wealthy nations like America, Canada, the U.K., and others will be able to absorb the price increases, so you won't see mass starvation in North America any time soon** (unless, of course, all the honeybees die, in which case prepare to start chewing your shoelaces...), but it will lead to significant increases in the cost of living, annoying consumers and reducing the amount of money available for other purchases (like vacations, cars, fuel, etc.). That, of course, will put downward pressure on the national economy. But what we're seeing right now, folks, is just a small foreshadowing of events to come in the next couple of decades. Think about it: If these minor climate changes and **foolish biofuels policies** are already **unleash**ing **alarming rises in food prices**, just imagine what we'll see when Peak Oil kicks in and global oil supplies really start to dwindle. When gasoline is $10 a gallon in the U.S., how expensive will food be around the world? The answer, of course, is that it will be triple or quadruple the current price. And that means many more people will starve. Fossil fuels, of course, aren't the only limiting factor threatening future food supplies on our planet: There's also fossil water. That's water from underground aquifers that's being pumped up to the surface to water crops, then it's lost to evaporation. Countries like India and China are depending heavily on fossil water to irrigate their crops, and not surprisingly, the water levels in those aquifers is dropping steadily. In a few more years (as little as five years in some cases), that water will simply run dry, and the crops that were once irrigated to feed a nation will dry up and turn to dust. **Mass starvation will only take a few months to kick in. Think North Korea after a season of floods. Perhaps 95% of humanity is just one crop season away from mass starvation.**

**Even small increases in food prices kill half the global population.   
Brown, 2005**

(Lester, founder of the Worldwatch Institute, and founder and president of the Earth Policy Institute, a nonprofit research organization based in Washington, D.C.Brown is the author or co-author of over 50 books on global environmental issues and his works have been translated into more than forty languages. “Outgrowing the Earth: The Food Security Challenge in an Age of Falling Water Tables and Rising Temperatures.” Date published: 2005. Date accessed: 6/30/12. [http://www.earth-policy.org/devcart/index.php?target=products&product\_id=29781&cs\_cookies[csid]=bf2fdd5fae3545129664a6717d430a8e&cs\_cookies[cart\_languageC]=EN](http://www.earth-policy.org/devcart/index.php?target=products&product_id=29781&cs_cookies%5bcsid%5d=bf2fdd5fae3545129664a6717d430a8e&cs_cookies%5bcart_languageC%5d=EN))

Many Americans see terrorism as the principal threat to security, but for much of humanity, the effect of water shortages and rising temperatures on food security are far more important issues. **For the 3 billion people who live on 2 dollars a day or less and who spend up to 70 percent of their income on food, even a modest rise in food prices can quickly become life-threatening. For them, it is the next meal that is the overriding concern.**

**Laundry List**

**Food price blips culminate in famine, war, and eventual extinction  
Winnail, 96** (Douglas S., Ph.D., M.P.H, "On the Horizon: Famine," September/October, <http://www.kurtsaxon.com/foods004.htm>)

What is seldom stated is that optimistic forecasts for increasing grain production are based on critical long-term assumptions that include normal (average) weather. Yet in recent years this has definitely not been the case. Severe and unusual weather conditions have suddenly appeared around the globe. Some of the worst droughts, heat waves, heavy rains and flooding on record have reduced harvests in China, Spain, Australia, South Africa, the United States and Canada--major grain growing regions of the world--by 40 to 50 percent. As a result grain prices are the highest on record. Worldwatch Institute's president, Lester Brown, writes, "No other economic indicator is more politically sensitive that rising food prices.... **Food prices spiraling out of control could trigger not only economic instability but widespread political upheavals"-- even wars**. The chaotic weather conditions we have been experiencing appear to be related to global warming caused by the release of pollutants into the earth's atmosphere. A recent article entitled "Heading for Apocalypse?" suggests the effects of global warming--and its side effects of increasingly severe droughts, floods and storms--could be catastrophic, especially for agriculture. The unpredictable shifts in temperature and rainfall will pose an increased risk of hunger and famine for many of the world's poor. With world food stores dwindling, grain production leveling off and a string of bad harvests around the world, the next couple of years will be critical. Agricultural experts suggest it will take two bumper crops in a row to bring supplies back up to normal. However, poor harvests in 1996 and 1997 could create severe food shortages and push millions over the edge**. Is it possible we are only one or two harvests away from a global disaster**? Is there any significance to what is happening today? Where is it all leading? What does the future hold? The clear implication is that things will get worse before they get better. **Wars, famine and disease will affect the lives of billions of people**! Although famines have occurred at various times in the past, the **new famines will happen during a time of unprecedented global stress--times that have no parallel in recorded history--at a time when the total destruction of humanity would be possible**! Is it merely a coincidence that we are seeing a growing menace of famine on a global scale at a time when the world is facing the threat of a resurgence of new and old epidemic diseases, and the demands of an exploding population? These are pushing the world's resources to its limits! The world has never before faced such an ominous series of potential global crises at the same time!

**Poverty**

**High Food Prices cause millions to become impoverished and go hungry**

**Walsh 11**

Bryan Walsh, editor for Time Magazine. Time News. “Why Biofuels Help Push Up World Food Prices.” Date published: 2/14/11. Date accessed: 6/20/12. <http://www.time.com/time/health/article/0,8599,2048885,00.html>)

It's easy to miss amid the drama of Egypt — though the two stories are connected — but the world is in the grip of a full-blown food crisis. According to the U.N., world food prices hit a record high in January, meaning food is now more expensive than it has ever been in real terms since the U.N. first began tracking the numbers in 1990. Grains, in particular, are more expensive than ever, with corn prices up 53% in 2010, wheat up 47% and rice now at its highest level in more than two years. **At a time when much of the global economy is still struggling to bounce back from the crisis of the past few years, high food prices could push millions back into poverty and cause millions more to go hungry. "The impact is really being felt, especially in outside the U.S.," says Marie Brill, the senior policy analyst at the antipoverty NGO ActionAid USA.**

**High Food Prices hurt impoverished people around the world – increases hunger and reduces money for education and health care**

**Weise 11**

(Elizabeth, reporter for USA Today. USA Today News. “Ethanol pumping up food prices.” Date published: 2/14/11. Date Accessed: 6/29/12. <http://www.usatoday.com/money/industries/food/2011-02-09-corn-low_N.htm#>)

The immediate causes of the rise are clear: bad harvests due to drought in Russia, China and Argentina and floods in Australia, among other things. But a longer-term cause may come as a surprise:— **24% of the U.S. corn crop is now mandated to go to ethanol, taking slack out of the world food market and making price shocks more likely**, agricultural economists say. Prices rising: Prices starting to creep higher Add lower-than-expected corn yields last year and, according to U.S. Department of Agriculture figures out Wednesday, U.S. reserves of field corn are at their lowest levels in 15 years. The demand for corn for ethanol is now at 4.9 billion bushels per year. **Corn prices have almost doubled, from $3.49 a bushel in July to $6.10 in January**. Corn futures, contracts to buy corn at a given price in the future, as of Wednesday were $6.90 a bushel. INFLATION AHEAD?: Bernanke's not worried "We're going to be going into next year's harvest with really no surplus inventory at all, so the size of next year's crop becomes critical," says Darrel Good, an agricultural economist at the University of Illinois, Urbana-Champaign. A threat to the poor However, foreign production of corn and projected stocks this year are higher than in the past two years, buffering the global situation somewhat, says Heather Lutman, a corn analyst with USDA. **For the 1.2 billion people who make $1.25 or less a day and spend 50% to 80% of their income on food, price rises mean hunger and less money for education and health care**, says Gawain Kripke of Oxfam America, an anti-poverty charity. For Americans, there are "definitely indications that point to higher prices, but we've yet to see a major impact," says Ephraim Leibtag, a USDA food economist. **Meat, dairy and eggs, primarily dependent on feed prices, are "less shielded from surges in commodity prices,**" he says. USDA is predicting rises in the food price index for 2011 of 3.5% to 4.5% for pork, 2.5% to 3.5% for beef, 2.5% to 3.5% for eggs and 4.5% to 5.5% for dairy. But corn, because it's made into high-fructose corn syrup, our most commonly used sweetener, is in many other items Americans buy as well.

**Poverty Outweighs Nuclear War**

**Gilligan 2k**, PROFESSOR OF PSYCHIATRY @ HARVARD MEDICAL SCHOOL, **2K** (JAMES, VIOLENCE: REFLECTIONS ON OUR DEADLIEST EPIDEMIC, P. 195-196)  
  
The 14 to 18 million deaths a year cause by structural violence compare with about 100,000 deaths per year from armed conflict. Comparing this frequency of deaths from structural violence to the frequency of those caused by major military and political violence, such as World War II (an estimated 49 million military and civilian deaths, including those caused by genocide--or about eight million per year, 1935-1945), the Indonesian massacre of 1965-1966 (perhaps 575,000 deaths), the Vietnam war (possibly two million, 1954-1973), and even a hypothetical nuclear exchange between the U.S. and the U.S.S.R (232 million), it was clear that even war cannot begin to compare with structural violence, which continues year after year.     In other word, **every fifteen years**, on the average, **as many people die because of relative poverty as would be killed in a nuclear war** that caused 232 million deaths; and every single year, two to three times as many people die from poverty throughout the world as were killed by the Nazi genocide of the Jews over a six-year period. **This is**, in effect, **the equivalent of an ongoing, unending**, in fact **accelerating, thermonuclear war**, or genocide, **perpetrated on the weak and poor every year of every decade, throughout the world**.

**Russian Civil War**

**Increase in Food Prices will disproportionately affect Russia – Spikes will destroy political stability and lead to civil war**

**Yasmann 8**

(Victor, RFE/RL analyst, "Analysis: Global Food Crisis Catches Up With Russia," Date published: 5/16/12. Date accessed: 6/30/12. [**http://www.rferl.org/content/article/1117497.html**](http://www.rferl.org/content/article/1117497.html))

**Food prices will be the biggest single problem facing** newly minted **Russia**n President Dmitry Medvedev. Over the last six months, hardly a single speech by Medvedev, Vladimir Putin, or other leading Russian political figures has failed to include mention of this burning issue. And for good reason. Even **as food prices rise dramatically around the world, the rate of increase in Russia has been roughly three times greater than that in the European Union. In April, the cost of basic foodstuffs rose in Russia by 6.4 percent,** compared to 1.8 percent in Europe, according to official Russian figures. Depending on the region, prices of basic products such as bread, milk, and meat have risen between 7 and 22 percent so far this year, moving inflation to the top of the list of Russia's national concerns. **An opinion survey in March found that 39 percent of Russians view rising food prices as the biggest national problem, while 38 percent named inflation generally**, and 27 percent named low wages. Just 8 percent of respondents mentioned corruption. **These findings are an early warning worth heeding in a country with a history of hunger-triggered political unrest, most notably the 1917 February Revolution that toppled Tsar Nicholas II.** The Kremlin understands this and purchased a measure of political stability during the election cycle that began last December with three price freezes on basic consumer goods. Earlier this year, Putin asked Deputy Prime Minister and Finance Minister Aleksei Kudrin (who retained both posts after Putin moved to the premiership last week) to head a special commission on inflation and to report weekly on the status of prices across the country. As the last price freeze expired on April 30, the government was preparing a special "food-security" law that would indefinitely fix the prices of seven "socially important" commodities. Medvedev, who for the last three years has overseen an ambitious national project to revive the agricultural sector, has tried to contain the political damage that seems inevitable if prices surge following the expiry of the latest price freeze. He has said that a global food deficit is the main driver of Russia's food troubles, adding that if not for his efforts in recent years, the situation would be worse. "It is very regrettable when you work and work and then this rubbish comes from the world market because of the mistakes of our colleagues in other countries," Medvedev complained. "And as a result the entire planet is suffering." Leading Food Importer Although food prices are, indeed, rising globally, Russia's leaders have downplayed the fact that **Russia is one of the world's leading importers of food. As such, it stands to suffer disproportionately from** the **food crisis**. Among G8 countries, only Russia and Japan are net food importers. **Russia imports about 46 percent of the food and agricultural raw materials it consumes each year.** At a February 14 press conference, Putin revealed that some of Russia's largest cities import up to 85 percent of the food they consume. All in all, Russia imports 75 percent of the meat it consumes and half of the vegetable oil. Still worse, Russian dependence on imported food is on the rise. Food imports increased by a factor of three between 2000 and 2006, and the primary reason for this is the ongoing decline of the country's agricultural sector. To take just one example, meat and milk production has fallen by half since 1990, and Russia's total cattle herd has declined to the level of 1918. Despite all of Moscow's talk of its "sovereign democracy," the country has failed to boost its independence in this crucial arena. According to figures released by the World Bank and the UN last month, global price increases for food are likely to continue, and accelerate, for the next decade. Russia's dependence on imported food has important domestic and international implications. Not only is it possible that food-related social unrest could disturb Russia's fragile stability, but it is also likely that the costs of supporting this habit could derail the Kremlin's ambitious plans to reshape the national economy. The Kremlin will be forced to divert more and more of its petrodollar windfall from national-development projects to the purchase of food imports. In fact, this process has already begun, as the country is swept by a massive wave of consumerism. Despite the price increases, Russia's consumption of meat, for instance, has increased 5 percent in 2008 alone. To meet rising demand, Moscow reduced import duties. Naturally, this boosted imports, but that made domestic production less competitive and enraged Russian farmers.

**Russian civil conflict will escalate to nuclear war**

**David 99** – Professor of Political Science at John Hopkins University

[Steven R., “Saving America from the Coming Civil Wars,” Foreign Affairs, Jan/Feb, LN]

**Conflicts fought within the borders of a single state send shock waves far beyond their frontiers.** To begin with, internal wars risk destroying assets the United States needs. Were the Persian Gulf oil fields destroyed in a Saudi civil war, the American economy (and those of the rest of the developed world) would suffer severely. **Internal wars can** also **unleash threats that stable governments formerly held in check. As central governments weaken and fall, weapons of mass destruction may fall into the hands of rogue leaders** or anti-American factions. More directly, internal wars endanger American citizens living and traveling abroad. Liberia will not be the last place America sends helicopters to rescue its stranded citizens. Finally, internal wars, when they erupt on U.S. borders, threaten to destabilize America itself. U.S. intervention in Haiti was spurred, in large part, by fear of the flood of refugees poised to enter the United States. All of these dangers are grave enough to warrant consideration; what makes them even more serious is the fact that their impact on America is largely unintended. Being unintended, the spill-off effects of civil wars are not easily deterred, which creates unique challenges to American interests. U.S. policymakers have traditionally tried to sway foreign leaders through a simple formula: ensure that the benefits of defying America are outweighed by the punishment that the United States will inflict if defied. That calculus, however, no longer applies when there is no single, rational government in place to deter. This raises the cost to America; if the United States (or any country) cannot deter a threat, it must turn to actual self-defense or preemption instead. Unlike deterrence, these strategies are enormously difficult to carry out and in some cases (such as preventing the destruction of the Saudi oil fields) would be impossible. Without deterrence as a policy option, Washington loses its most effective means of safeguarding its interests. Where are these new threats likely to crop up? And which should the United States be concerned with? Two criteria must guide policymakers in answering these questions. First is the actual likelihood of civil war in any particular state. American interests would be endangered by a war in Canada, but the prospect is so improbable it can safely be ignored. Second is the impact of a civil war on the United States; would it threaten vital American security and economic concerns? Future conflict in Sierra Leone may be plausible, but it would have such a negligible impact on the United States that it does not justify much attention. Only three countries, in fact, meet both criteria: Mexico, Saudi Arabia, and Russia. Civil conflict in Mexico would produce waves of disorder that would spill into the United States, endangering the lives of hundreds of thousands of Americans, destroying a valuable export market, and sending a torrent of refugees northward. A rebellion in Saudi Arabia could destroy its ability to export oil, the oil on which the industrialized world depends. **And internal war in Russia could devastate Europe and trigger the use of nuclear weapons.**

**Warming = Extinction**

**Global Warming cause mass extinctions**

**Handwerk 6**

Brian **Handwerk**, Senior Writer at National Geographic, 4/12/**06**, National Geographic, <http://news.nationalgeographic.com/news/2006/04/0412_060412_global_warming.html>

**A new study suggests that global warming could threaten one-fourth of the world's plant and vertebrate animal species with extinction by 2050**. The report's authors reached their conclusion after estimating potential changes to habitats—and the resulting loss of species—in 25 biodiversity "hot spots" around the world. "**These [hot spots] are the crown jewels of the planet's biodiversity,"** lead author Jay Malcolm of the University of Toronto told the Canadian Press. "**Unless we get our act together soon, we're looking at committing ourselves to this kind of thing**." The report appears in the current issue of the journal Conservation Biology. Many Threats Seen Global warming projections are by nature uncertain, and the report includes many variables that significantly affect species' survival rates both for good and for ill. Changes to the rate and degree of warming, as well as the ability of species to migrate or adapt, altered the estimates of species' extinction risk. Climate change is also only one threat to species diversity. Many plants and animals are already feeling the effects of habitat destruction and invasions by non-native species. It is difficult for scientists to take all such factors into account. Still, the study's worst-case scenarios are sobering. They include **a doubling of present carbon dioxide levels (as predicted by many climatologists) and rising temperatures that could potentially eliminate 56,000 plant and 3,700 animal species in the 25 hot spot regions. Global Warming Could Cause Mass Extinctions by 2050, Study Says The report's findings echo those of a 2004 study, in which a team of international scientists suggested that over a million species—15 to 35 percent of those they studied—could be at risk of extinction by 2050. Both the 2004 study and the current research were conducted in part by scientists from Conservation International. "We used a completely different set of methods [from the 2004 study] and came up with similar results," Conservation International's Lee Hannah, co-author of the current study, told Reuters. "All the evidence shows that there is a very serious problem." Hot Spot Species Live on the Edge Stuart Pimm, an expert in extinctions and biodiversity at Duke University in Durham, North Carolina, explained that species living in ecological hot spots are at particular risk when their environments change**. "That's where the most vulnerable species are, because they have the smallest geographical ranges," said Pimm, who is not affiliated with the study. Species living high on tropical mountainsides, for example, have nowhere to go if temperatures warm their home turf. In South Africa's Cape Floristic Region, located on the continent's southern tip, species are unable to migrate to lower latitudes to escape the rising temperatures. "There's no question that the poles are experiencing the greatest climatic change," Pimm said. But polar species are far fewer in number and may not face the same extinction risk as those that live in more confined hot spots with greater biodiversity. "While polar bears and caribou are being harmed, they are not as vulnerable as the species that live in these hot spots because of [the hot spot species'] very narrow geographic ranges." **Other experts warn that it's not just the hot spots featured in the new study that face an imminent extinction risk. "Many species are indeed struggling to hold on in locations all over the globe, not just in hot spots," said biologist Terry Root, of Stanford University's Center for Environmental Science and Policy, who was not involved in the study. "This is not some activity that will only be occurring 'overseas.' The likely extirpations and extinctions will also be occurring within a couple hundred miles of all of our back yards."**

## High Good Prices Good

**High Food Prices increase investment, biofuels, and new development**

**Kharas ’08**. Homi Kharas, senior fellow and deputy director for the Global Economy and Development program. Formerly a chief economist in the East Asia and Pacific Region of the World Bank. “The Reality of Rising Food Prices: Benefits to the Poor”.

<http://www.brookings.edu/research/opinions/2008/08/06-food-prices-kharas>

Images of food riots and hungry people stir deep emotions. But we must debate trade-offs: will the rise in food prices generate more food for the world and less poverty for poor people in the future? Are today’s food prices fair to producers and consumers? Yes, because **higher food prices will bring about new investments in agriculture and higher global production. This is already happening in Asia and other parts of the world, and will accelerate over time**. Yes, because **without higher food prices, land use would shift towards corn-for-ethanol and other biofuel crops and we would have less food available**. Yes, because **a system with food prices in free fall for 30 years did not produce any measurable decline in hunger and poverty. But the last time food prices were as high as they are today we witnessed the Green Revolution and a rapid reduction of rural poverty in one of the largest population centres of the world, South Asia**. Yes, because the great urban/rural divide that was cleaving societies across the developing world has now narrowed. Some have argued that the proposition is unfairly worded. As there is an upside to most things, surely food prices are no exception. I do not want this debate to be about such sophistry. Instead let us be clear about the real changes in people’s lives that can come about in the long run from higher food prices. Most of the evidence I have seen suggests that when looked at in detail, **most poor people will gain from higher food prices**.

**High Food prices lower subsidies, aid farmers, and increase biofuel production**

**Johnson ’07**. Simon Johnson, Economic Counsellor and Director of the IMF's Research Department. “The (Food) Price of Success”.

<http://www.imf.org/external/pubs/ft/fandd/2007/12/straight.htm>

**The greatest potential gains are for farmers everywhere, including the rural sector of poorer countries**. Of course, urban dwellers are likely to be hurt, so the net impact for each country will vary. There is another potential opportunity in this rapidly developing difficult situation. **Farm subsidies of various kinds in rich countries have long plagued the international trading system and currently make it difficult to move forward with further trade liberalization**. Rich countries are reluctant to improve access to their most protected markets. **With high food prices, subsidies are less compelling and**—depending on how they are structured—**may not even pay out when prices are above a certain level**. **Industrial countries need to seize this moment and eliminate subsidies in such a way that it is hard to reimpose them later.** Even though the European Union is not always regarded as a model of agricultural reform, it has taken an impressive step forward in terms of export subsidies for milk. With milk at record-high prices this year, these subsidies have been suspended. Given the nature of decision making over agricultural policy, reinstating such subsidies might be difficult**. But industrial country tariffs on ethanol should also come down. The rich world is constantly admonishing the poor to get serious about adding value in the agricultural sector.** This is exactly what the rapid development of a global biofuels market could bring. But this will not happen unless and until tariffs on the import of biofuels into rich countries are eliminated. There is no panacea here, of course, but **allowing freer trade in biofuels should generally help agricultural sectors everywhere and bring benefits to poor, rural societies. Opportunities to expand land use will be greater if all countries have a fair chance to produce biofuels.**

## AT: Ethanol Good

### Reduces CO2 Emissions

**Ethanol is too expensive and has little effect on reducing CO2 emissions**

**Biello 11**

(David, Editor of Environment and Energy news at Scientific American. Scientific American. “Intoxicated on Independence: Is Domestically Produced Ethanol Worth the Cost?” Date published: 7/28/11. Date accessed: 6/29/12. http://www.scientificamerican.com/article.cfm?id=ethanol-domestic-fuel-supply-or-environmental-boondoggle&page=2)

That was the environmental reason to pursue a biofuel like ethanol in the first place—it theoretically balances the CO2 absorbed by the plant when it is grown with the CO2 released when the fuel is burned. But **the U.S. ethanol industry is** merely **taking** a crop that is already grown anyway—**corn**—**and converting it to a fuel that is burned. That means the growth of the plant is not using additional CO2 to counterbalance the CO2 emitted when the fuel made from that plant is burned**, Searchinger notes. "It's an offset," he says. "**It's a very expensive way to have a very small effect." In fact, the Congressional Budget Office (CBO) estimates that it costs $750 in subsidies for ethanol for every ton of CO2 saved.**

### Reduces Foreign Oil Dependence

**Domestic Sources achieve national energy security better than ethanol**

**Cendrowski 12**

(Scott, reporter at Forune who writes about finance and investing. CNN Fortune News. “Ethanol's food-fuel dilemma.” Date published: 1/31/12. Date accessed: 6/29/12. <http://finance.fortune.cnn.com/2012/01/31/ethanol-corn-food-fuel/>)

Those mandates have been working all too well. Over the last decade the U.S. jumped past Brazil to become the world's top ethanol producer. Some 40% of the U.S. corn crop, the world's largest, is now used for fuel and byproducts. The irony is that a study done at Princeton suggests that corn ethanol does little to reduce greenhouse gas compared with gasoline. It has helped the U.S. reduce its dependence on foreign oil, but **with new sources of domestic oil coming online, the role of corn ethanol in achieving national energy security will become less significant.**

# \*\*\*Aff Answers\*\*\*

## NUQ

### Food Prices UP

**Food prices will keep rising inevitably- rising population**

**Almeida 12**

Isis Almeida, reporter for Bloomberg, “Era of Food Prices Always Falling Seen at End as World’s Population Grows” Feb 5, 2012 <http://www.bloomberg.com/news/2012-02-05/era-of-food-prices-always-falling-seen-at-end-on-population-cargill-says.html> Accessed 6-28-2012

**The era of falling food prices has come to an end with the world population set to add another 2 billion people, according to Cargill Inc., the U.S. farm commodities trader**. The United Nations’ Food and Agriculture Organization has said **global food output must rise 70 percent by 2050 to feed a world population expected to grow to 9 billion from 7 billion now** and as increasingly wealthy consumers in developing economies eat more meat. **Food prices tracked by the FAO climbed to the highest ever a year ago on surging grain prices**. “You don’t have to be a reviving bull on commodities to believe that the era, which went from the 50’s, 60’s to 70’s and early 80s, of ever decreasing food prices in real terms has probably come to an end,” Paul Conway, vice chairman of Cargill, said at the Kingsman sugar conference in Dubai yesterday. The conference is continuing through tomorrow when Jacob Robbins, managing director of global sweeteners at The Coca-Cola Co., are among the scheduled speakers. **The FAO food-price index averaged 228 points last year, 23 percent more than in 2010 and above the 200 points recorded in 2008**, when food riots erupted from Haiti to Egypt. Prices since then have declined 11 percent by December. Cargill, based in Minnesota, trades all kinds of farm commodities, including cocoa, soybeans, corn, sugar, meat, wheat and ethanol. Conway is based in Cobham, England. **Wheat has doubled since the end of 2005, raw sugar is twice the price in December 2008 and orange juice climbed to a record last month**. Group of 20 farm ministers agreed to a plan last year in June to set limits on export bans and create a crop database to tackle what French President Nicolas Sarkozy called the “plague” of rising food prices.

**High corn prices raise costs for all foods**

**Whoriskey 6-27**

Peter Whoriskey, staff writer for the Washington Post, “Drought threatens U.S. food prices”, June 27, 2012, <http://www.washingtonpost.com/business/economy/drought-threatens-us-food-prices/2012/06/27/gJQAzNZd7V_story.html>, Accessed 6-29-2012

**A drought in the** Corn Belt and elsewhere in the **Midwest has pushed the bushel price of corn up about 27 percent in the past month alone, and there is little sign of rain in the near future, a forecast that could soon push up food costs across the country**, meteorologists say. Last week, 63 percent of the corn crop was rated in good or better condition, according to the Agriculture Department. This week, that figure had fallen to 56 percent. **Concerns arise as the crop approaches pollination, a particularly sensitive two-week period when bad weather can inflict significant damage**. “You only get one chance to pollinate over 1 quadrillion kernels,” said Bill Lapp, president of Advanced Economic Solutions, a Omaha-based commodity consulting firm. “There’s always some level of angst at this time of year, but it’s significantly greater now and with good reason. We’ve had extended periods of drought.” **Corn is among the most valuable of U.S. crops, and its price has ripple effects across a wide range of food prices**. Rising corn prices mean higher costs for beef producers who use it to feed their livestock; it also means that some fields planted with other crops will be shifted into corn production. **In addition, it puts upward pressure on the price of ethanol**.

**Corn prices high due to drought**

**Whoriskey 6-27**

Peter Whoriskey, staff writer for the Washington Post, “Drought threatens U.S. food prices”, June 27, 2012, <http://www.washingtonpost.com/business/economy/drought-threatens-us-food-prices/2012/06/27/gJQAzNZd7V_story.html>, Accessed 6-29-2012

**In less than a month, the future price of a bushel of corn has risen from $4.99 to $6.33**, Lapp said. The **supply** of corn in the United States, meanwhile**, is down about 8 percent** from last year, according to Agriculture Department statistics. The area affected by the drought is a swath of the Midwest that reaches as far west as Kansas, as far south as Arkansas and as far east as Indiana, according to the National Weather Service, and the dry conditions have come on fast. Last week, about 19 percent of the contiguous United States was facing drought conditions characterized as severe or worse. This week that percentage had grown to 24 percent, according to federal forecasters. “**Based on the drought outlook, the potential for further degradation is very high, and the potential to reach exceptional levels of drought — where there are major crop failures — is very high**,” said Matthew Rosencrans, a Weather Service meteorologist. “The climate signals we are looking at right now don’t correlate with wetness in that region.” Jay Armstrong, owner and operator of Armstong Farms in Kansas, flew his small plane over a portion of the affected area and landed with the impression that the **potential damage is far worse than is commonly understood**. “At this time of year, when you look down in a place like Indiana or Illinois, you should see just lush green fields,” Armstrong said. “I saw bare soil. I just thought to myself, **the market has no idea what’s coming**.”

### EP Increasing

**Ethanol Production Increasing – Other Countries Booming**

**Truit 6-27**

Gary Truitt, 6/27 [6/27/12, President at Hoosier Ag Today Past: Farm Director at AgriAmerica Ne twork Education: North Central College Summary: Farm broadcaster with more than 25 years experience. Started his own broadcast componey in 2006, now the largest farm radio network in Indiana. “Ethanol Production Expected to Grow this Year”, http://www.hoosieragtoday.com/index.php/2012/06/27/ethanol-production-expected-to-grow-this-year/ ]

New numbers show that, **globally, ethanol production will be up just slightly this year**. In the Global Renewable Fuels Alliance’s Global Annual Ethanol Production Forecast**, the group that represents about two-thirds of the world’s ethanol production in 44 countries says production of the green fuel should hit 85.2 billion litres in 2012. This comes despite the worries about the world’s economy**: “While the world’s financial health continues to preoccupy policy makers and governments, the global ethanol industry continues to be a bright spot in the world economy. It continues to grow, supporting nearly 1.4 million jobs and contributing $277.3 billion to the global economy in 2010,” said Global Renewable Fuels Alliance spokesperson, Bliss Baker. “The GRFA’s 2012 production forecast sees global ethanol production continuing to displace the need for hundreds of millions of barrels of imported crude oil, further reducing our crippling reliance on foreign oil,” said Baker. “Policy makers and governments must recognize the significant contribution biofuels are making to the global economy while reducing the world’s foreign oil consumption,” added Mr. Baker. **The United States and Brazil continue to be the largest producers of ethanol with production continuing at a steady pace in 2012**.The report highlights that **Africa will see a 36 percent increase in ethanol production**, although the continent remains relatively low compared to the big producers of ethanol. **Europe is expected to see an 11 percent increase in ethanol production.**

**Global Ethanol Production Increasing – Brazil**

**Rabello 7-1**

Maria Luiza Rabello, 7/1 [7/1/12, Bloomberg Contributor, “Brazil May Cut Taxes to Stimulate Ethanol Output O Globo says”, <http://www.businessweek.com/news/2012-07-01/brazil-may-cut-taxes-to-stimulate-ethanol-output-o-globo-says> ]

**The Brazilian government may announce tax breaks and interest rate cuts** by September **to boost ethanol production**, O Globo newspaper **reported, citing a government official who wasn’t identified.**

**Ethanol Production Increasing – Exceeding Projections**

**Zimmerman, 6/27** Cindy [ 6/27/12, domesticfuel.com and farm podcaster, “[Edeniq Producing Cellulosic Ethanol in California](http://domesticfuel.com/2012/06/27/edeniq-producing-cellulosic-ethanol-in-california/)” <http://domesticfuel.com/author/cindy/>

According to the June 12 report, the 50 million bushels adjustment upward to corn usage for 2011/12 reflects the latest ethanol production and trade data. **“Weekly ethanol production has increased since mid-April** after gradually declining from the record levels of late December,” the report states. “The higher corn use projection assumes slightly lower ethanol production during the June-August quarter as compared with the same period last year.” **The total** for 2011-2012 **now stands** at 5.05 billion bushels, **higher than the** 5.021 of the **previous year and the projected 5.0 billion for 2012-13.** The most recent Energy Information Administration data for ethanol production, the week ending June 1, showed an average of 904,000 barrels, or 37.97 million gallons, per day. For the month of May, the four week average for ethanol production was 907,000 barrels per day, which could bring the total for the year very close to 14 billion gallons if that pace continues.

## No Link

### AT: Ethanol Increases FP

#### Ethanol is not the cause for food price spikes

John **Block 2011** [March 26. Staff Writer for the Chicago Tribune “Rising food prices? Can’t blame ethanol” http://articles.chicagotribune.com/2011-03-26/news/ct-oped-0328-biofuel-20110317\_1\_ethanol-production-ethanol-industry-corn-gluten]

But this theory of food-versus-fuel flies in the face of four facts: First, U.S. ethanol production uses only about 3 percent of the world's grain supply. Moreover, that 3 percent consists of feed grains, largely corn for livestock. The food grains that people actually eat — mostly rice and wheat — aren't affected by biofuels production. Second, about a third of the corn used for ethanol becomes a co-product: livestock feed for cattle, poultry and hogs. Last year alone, the U.S. exported 9 million metric tons of these distillers grains, corn gluten feed and corn gluten meal to nations around the world, including Egypt. Third, volatile energy costs are the real drivers of all consumer prices including for food. Energy impacts every facet of food production from growing the crops to processing the food to transporting it to market. These factors explained why food prices soared in 2008 and are rising right now. Imagine where oil and gasoline prices might be were it not for ethanol comprising 10 percent of the gasoline market today. Fourth — and most important — American farmers are increasing their productivity. Ethanol's demand for corn has grown dramatically during the past decade. But so has the crop of corn produced by American farmers. Because of productivity improvements, American farmers are growing more corn that ever, with the highest average yield per acre anywhere in the world, at any time in human history. From 1977 through 2007, U.S. corn acreage increased slightly, to 93.6 million from 84.3 million.

#### **No correlation between food price spikes and ethanol**

David Bennett 2011 [April 21, Associate Editor for Delta Farm Press “Vilsack: no correlation between food prices and ethanol” <http://deltafarmpress.com/government/vilsack-no-correlation-between-food-prices-and-ethanol>

As food prices rise, Agriculture Secretary Tom Vilsack is not fond of claims that ethanol production is a major cause. He also says an uptick in grain prices will not have a big impact on conservation programs.

“Ethanol production (doesn’t have) a significant impact and effect on food prices,” said Vilsack after touring an Iowa biofuel facility on Tuesday. “There’s a misconception in the public that ethanol is driving up food prices. That isn’t the case. In 2008, the last time we had an increase in food prices, we saw ethanol responsible for about 10 percent of the overall increase – a very small percentage. “That’s reflected in the fact that farmers get only 16 cents out of every food dollar.” What’s responsible for the other 84 cents? “Energy costs, oil costs,” insisted Vilsack. “We ought to be looking at ways we can reduce our reliance on oil,” a commodity with extreme fluctuations in price. Despite high corn prices, “we see interest in our CRP (Conservation Reserve Program) program. … It’s true we’ll have more corn acres. But it might be at the sacrifice of another commodity – maybe fewer bean acres, fewer wheat acres. … Overall, I don’t think we necessarily see a significant reduction in the amount of conservation activity. We’ll continue to promote conservation and have a proper balance. “But, from my perspective, I don’t see the correlation between high food prices and ethanol production.”

**Alt Causes to high food prices**

**Weise 11**

(Elizabeth, reporter for USA Today. USA Today News. “Ethanol pumping up food prices.” Date published: 2/14/11. Date Accessed: 6/29/12. <http://www.usatoday.com/money/industries/food/2011-02-09-corn-low_N.htm#>)

**Corn farmers dispute the connection between high prices and ethanol**. More corn is being grown per acre "thanks to technology in the seed and practices on the farm," says Bart Schott, president of **the National Corn Growers Association**. Instead, he **points at "speculation in commodity markets, corrupt foreign regimes, currency fluctuation, hoarding by other countries and, of course, the weather" for rising prices.**

**Ethanol production doesn’t increase food prices**

**Fuel Freedom no date**

fuelfreedom.org, “MYTH: Corn Ethanol Increases Food Prices” <http://www.fuelfreedom.org/myth-corn-ethanol-increases-food-prices/> Accessed 6-30-2012

In market terms, corn is a commodity. That means that **the price of corn is not determined by consumer supply and demand. Instead, prices are determined by traders in commodities markets**. Commodity price trends in these markets are often in sync, even for very different categories of goods. Specifically, food commodity prices are linked to the price of energy commodities. Food commodities include grains such as wheat, corn and rice, as well as meats, dairy products, oils and sugar. **Corn is only one commodity used to determine the indexed food price. Therefore, the rising price of food commodities overall cannot be attributed to production of corn ethanol. Like food commodities in general, corn price correlates closely with energy prices**.

### Turn - Jobs

**Increased Ethanol Production supports tens of thousands of domestic jobs**

**Block 11**

(John, former U.S. Secretary of Agriculture under the Reagan Administration from 1981 to 1986. He is a senior policy advisor at the Washington, D.C.-based firm OFW Law. The Chicago Tribune. “Rising food prices? Can't blame ethanol.” Date published: 3/26/11. Date accessed: 6/29/12. <http://articles.chicagotribune.com/2011-03-26/news/ct-oped-0328-biofuel-20110317_1_ethanol-production-ethanol-industry-corn-gluten>)

Fourth — and most important — **American farmers are increasing their productivity**. Ethanol's demand for corn has grown dramatically during the past decade. But so has the crop of corn produced by American farmers. Because of productivity improvements, American farmers are growing more corn that ever, with the highest average yield per acre anywhere in the world, at any time in human history. **From 1977 through 2007**, U.S. corn acreage increased slightly, to 93.6 million from 84.3 million. But **corn production more than doubled, to 13.1 billion bushels from 6.5 billion**. In fact, crop yields have increased so spectacularly that the majority of the corn used for ethanol comes from gains in efficiency and growth — not from cropland expansion. Even last year, in spite of adverse weather conditions, American farmers produced the third largest corn crop in history. Meanwhile, **the U.S. ethanol industry produced a record 13 billion gallons of the biofuel, replacing some 445 million barrels of imported oil and supporting more than 400,000 jobs that can't be outsourced.**