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Food Report Criticizes Biofuel Policies

By ANDREW MARTIN

Agriculture Secretary Edward T. Schafer is preparing to walk into a buzzsaw of criticism over American biofuels policy when he meets with world leaders to discuss the global food crisis next week.

Mr. Schafer took the offensive at a press conference on Thursday that discussed the food summit, planned for Rome. He said an analysis by the Agriculture Department had determined that biofuel production was responsible for only 2 to 3 percent of the increase in global food prices, while biofuels had reduced consumption of crude oil by a million barrels a day.

"We think that policy-wise in the United States of America — and certainly in the rest of the world — as we see the price of oil and petroleum escalate dramatically beyond anyone's imagination, that one of the ways to deal with that is to produce biofuels which are renewables, better for the environment and help lower that cost," he said.

Mr. Schafer's remarks came as ethanol and biofuels are coming under increasing criticism from foreign leaders and members of Congress, as grocery prices climb in the developed world and malnutrition and hunger threaten to spread in the poorest nations.

Just hours before his comments, a major report was released in Paris that urged countries to reconsider biofuels policies in the wake of soaring food prices.

"The energy security, environmental and economic benefits of biofuels production based on agricultural commodity feed stocks are at best modest, and sometimes even negative," says the report, prepared by the Food and Agriculture Organization of the United Nations and the Organization for Economic Cooperation and Development. "Alternative approaches may be considered that offer potentially greater benefits with less of the unintended market impact."

The Agriculture Department's own longtime chief economist, Keith Collins, who retired in January, said that ethanol was the "foot on the accelerator" of corn demand — an essential feed for animals, as well as a part of many diets — and merited renewed debate. He said Congressional mandates for ethanol would require farmers to grow more corn for conversion to biofuel, at the expense of feed corn and other food crops.

"You're building in tremendous increase in demand," said Mr. Collins, who emphasized that he was not necessarily against ethanol. "It's an increase that is going to feed into food prices."

The United Nations report, the global agriculture outlook through 2017, said prices for farm crops will remain substantially higher over the next decade because of fundamental changes in demand, though they will gradually decline from current highs.

Because the recent spike in crop and food prices has been caused in part by temporary factors like drought, the report predicted that prices should decrease as weather conditions return to normal and crop yields improve.

"At least we hope they are temporary," said Angel Gurría, secretary-general of the O.E.C.D., alluding to the potential impact of lasting climate change on agricultural production.

In addition to reviewing ethanol policies, the report said governments should reconsider trade policies like export bans that do not allow farmers to take advantage of higher global prices for agriculture commodities.

The report also encouraged countries that have balked at allowing genetically modified crops to reconsider their use as a way to improve yields.

The expected causes of higher-than-average prices during the next decade include a doubling of biofuel production, higher fuel costs that increase the cost of producing crops and transporting food, and greater demand for food and animal feed in richer developing countries where incomes are rising, the report says.

Prices for vegetable oils are expected to remain the highest, 80 percent above the average from 1998 to 2007; wheat, corn and skim milk powder are anticipated to be 40 to 60 percent higher; sugar, 30 percent; and beef and pork, about 20 percent. Biofuel production should account for about a third of the expected increases in prices for vegetable oils and grains.

But the authors of the report cautioned that crop prices may be more volatile because of less predictable weather patterns,

speculators in agricultural futures markets and low levels of stockpiles of grains.

The projected increases in crop prices would have the most serious impact in poor countries.

The authors of the report encouraged increased investment in agriculture research and outreach programs in the least developed countries after years of declining support.

“Agricultural development was not given sufficient priority over the last decades, and its importance was underestimated,” said Jacques Diouf, secretary-general of the Food and Agriculture Organization of the United Nations.

In a related matter, the World Bank on Thursday announced that it would increase spending on agriculture and food programs to \$6 billion in the coming fiscal year, which begins on July 1, up from \$4 billion.

The funds include \$800 million that has already been earmarked for Africa and an additional \$1.2 billion that will be spent on such things as nutrition programs for schoolchildren and pregnant women, and seeds and fertilizer for small-scale farmers to improve harvests.

“These initiatives will help address the immediate danger of hunger and malnutrition for the 2 billion people struggling to survive in the face of rising food prices,” the president of the World Bank Group, Robert B. Zoellick, said in a statement. Mr. Zoellick said \$200 million of the \$1.2 billion would be used as grants for countries most vulnerable to the food crisis.

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