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Corn-based ethanol: Why federal government shouldn't pick sides (commentary)

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WHEN the federal government decided it was going to require a market for corn-based ethanol, nurture it with taxpayer dollars and protect it with import tariffs, that quickly created a competitive rift in parts of the otherwise harmonious U.S. agriculture community.

The rift exists because the ethanol use mandate, blending credits and tariffs pitted the growers of corn against the users of corn; it pitted the refiners of corn-based ethanol against the refiners of other fuel options, and it pitted the developers of technology for corn-based ethanol against the developers of technology for non-food-based biofuels.

This rift has been played out on a public stage over the last several years as these competing interests have battled for their members and their prosperity in hopes of capitalizing on the national consensus to move from a petroleum-based energy policy to an energy policy that accommodates new and emerging biofuels.

When all the dust clears and the merits of the issues are laid on the table, however, we believe it's clear that a policy that mandates the burning of our food supply for our fuel supply is not sustainable in the long term.

For instance:

- * Corn-based ethanol is not economically sustainable. The corn-based ethanol industry is 30 years old and is a mature industry that has learned the ropes of the energy business and the world in which it is competing, yet despite this fact, it continues to lobby Congress for yet another extension of tax credits that will subsidize the industry to the tune of \$6.75 billion per year by 2015.
- * Corn-based ethanol will not solve our energy needs. Subsidizing corn-based ethanol will neither solve our energy needs nor end our dependence on foreign sources of petroleum. Corn-based ethanol should be allowed to compete in the free market system and certainly has its place as one of many options in a portfolio of market-based biofuel choices.
- * Corn-based ethanol is not a sustainable food policy. Under the current scenario, diluting gasoline with more corn-based ethanol could divert nearly half of America's corn crop from food and feed to fuel, which ultimately strains consumers who must balance economic choices between purchasing fuel to drive to work or purchasing food to feed their families.
- * Corn-based ethanol undermines the U.S. protein industry. The U.S. meat and poultry industry is the largest consumer of corn, and corn is the single largest input into the animals that the livestock and poultry industry raises for food.

Creating a new, guaranteed and subsidized market for ethanol has resulted in corn prices that have remained well above the historic average since the mandate went into effect. In the long term, this translates into lost jobs. The meat and poultry industry directly and indirectly employs 6.2 million people. The total contribution of the meat and poultry industry in terms of economic output to the U.S. economy is more than \$832 billion -- nearly 6% of the total gross domestic product.

- * Corn-based ethanol subsidies, trade barriers and production mandates hamper the development of the next generation of biofuels. The government's decision to favor corn-based ethanol over other biofuels is hurting the development of second- and third-generation fuels that are not based on food and feed crops.
- * Corn-based ethanol is not a silver bullet for our fuel needs. Corn-based ethanol is a single component of a portfolio of biofuels, fuels and various renewable energies that should be allowed to compete on the free market,

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attract investors and win market share on their own. Emerging biofuels are instantly at a competitive disadvantage against corn-based ethanol, so their development and commercial realization are hampered.

The government's ethanol policy has created a competitive tension within parts of American agriculture; however, we remain confident that at some time in the future, when this debate is behind us and other biofuels are online and commercially available, the animal protein industry will still be the best and most reliable customer for American corn growers. They can bank on it.

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