



The facts behind food versus fuel

The National Biomass Partnership
Web Forum on Food vs. Fuel

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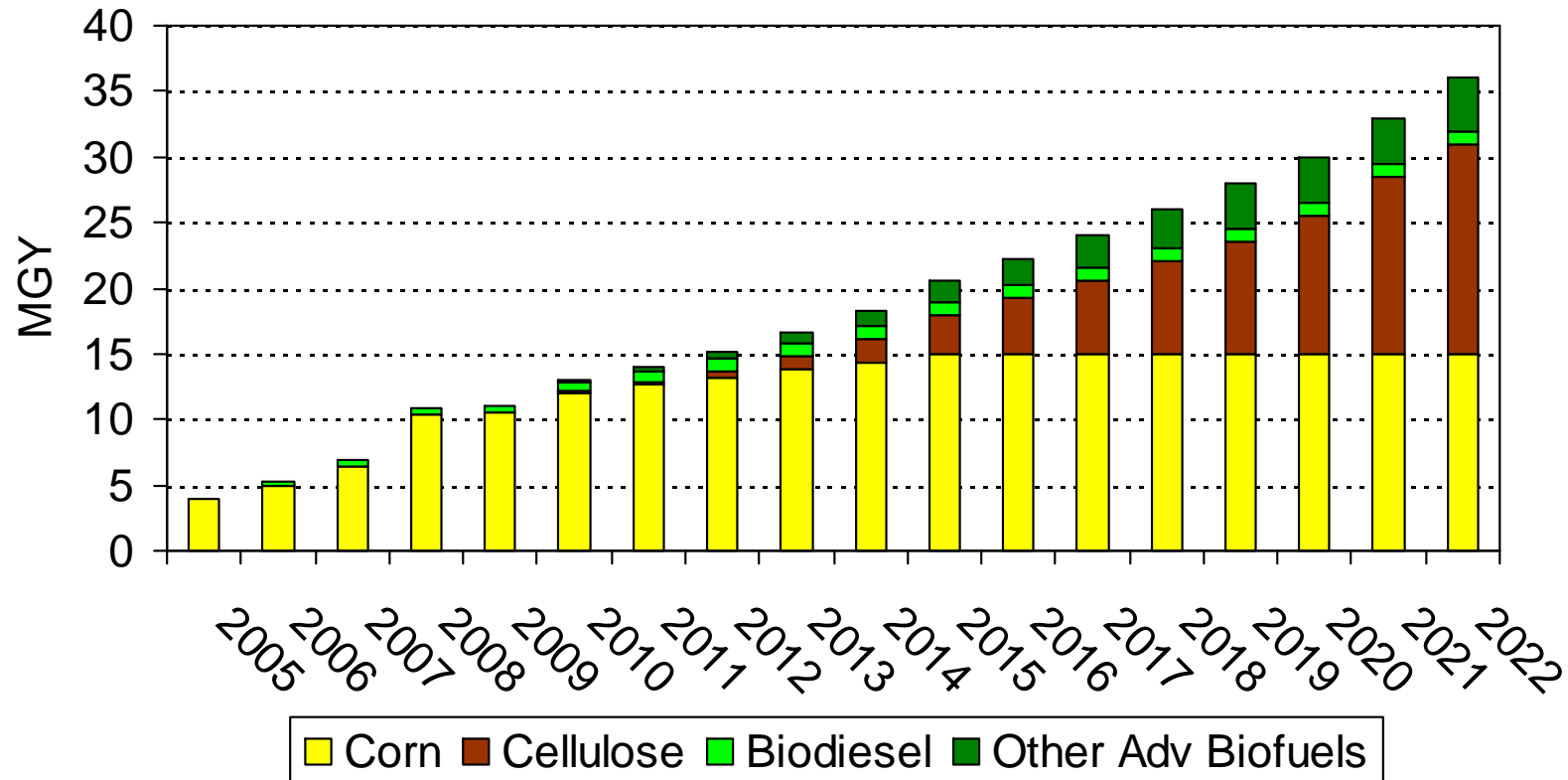
Energy Independence and Security Act of 2007 Policy Objectives

- ❖ Move the United States toward greater energy independence and security,
- ❖ Increase the production of clean renewable fuels,
- ❖ Increase the (energy) efficiency of products, buildings, and vehicles,
- ❖ Promote research on and deploy greenhouse gas capture and storage options,
- ❖ Improve the energy performance of the Federal Government

Renewable Fuel Standard Provisions of EISA 2007

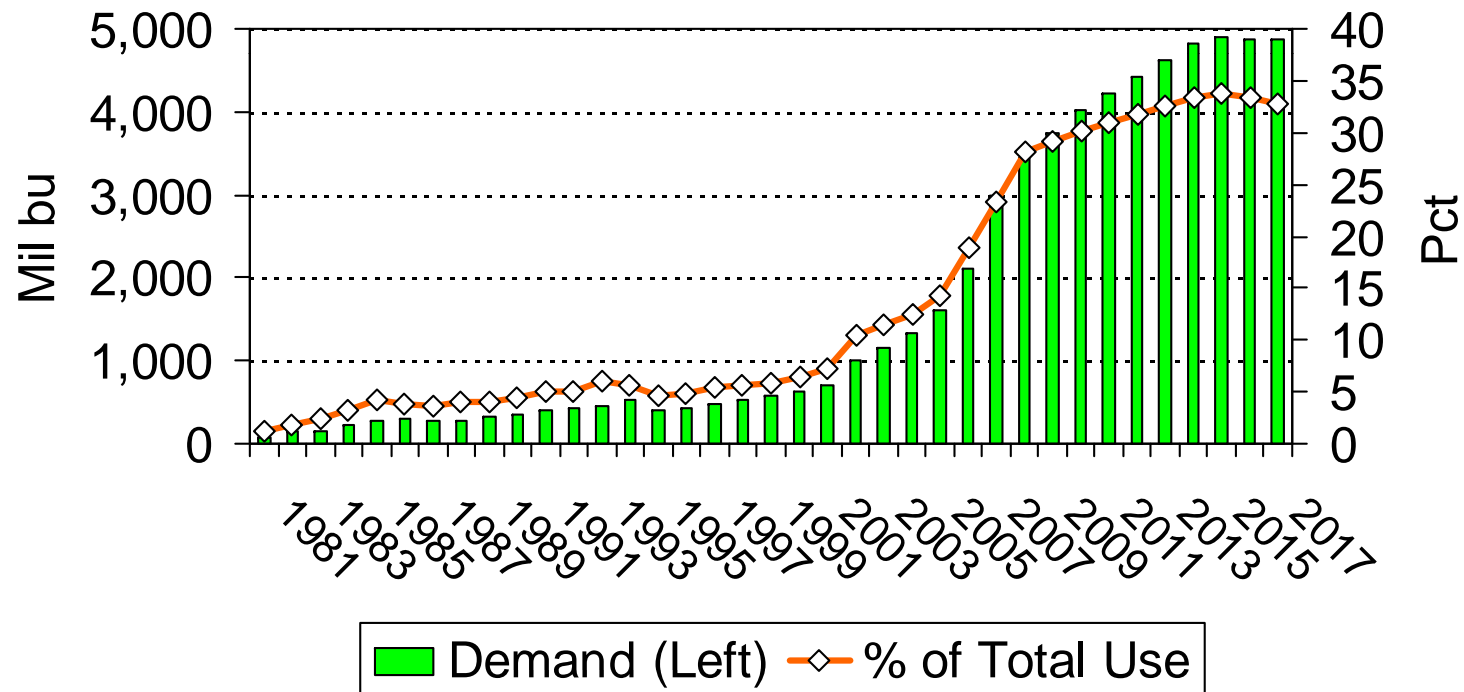
- ❖ Updates the volume of renewable fuels required in 2008 to 9 billion gallons and creates a new 36 billion gallon program beginning in 2009 through 2022, lasting into perpetuity, until acted on by Congress.
- ❖ EISA creates minimum use requirements for the following technologically neutral classes of renewable fuels:
 - Conventional Biofuels
 - Advanced Biofuels
 - Cellulosic Biofuels
 - Biomass-Based Diesel (including biodiesel) ; and
 - Undifferentiated Advanced Biofuels (including biodiesel)

EISA 2007 caps ethanol from corn starch at 15 billion gallons in 2015.



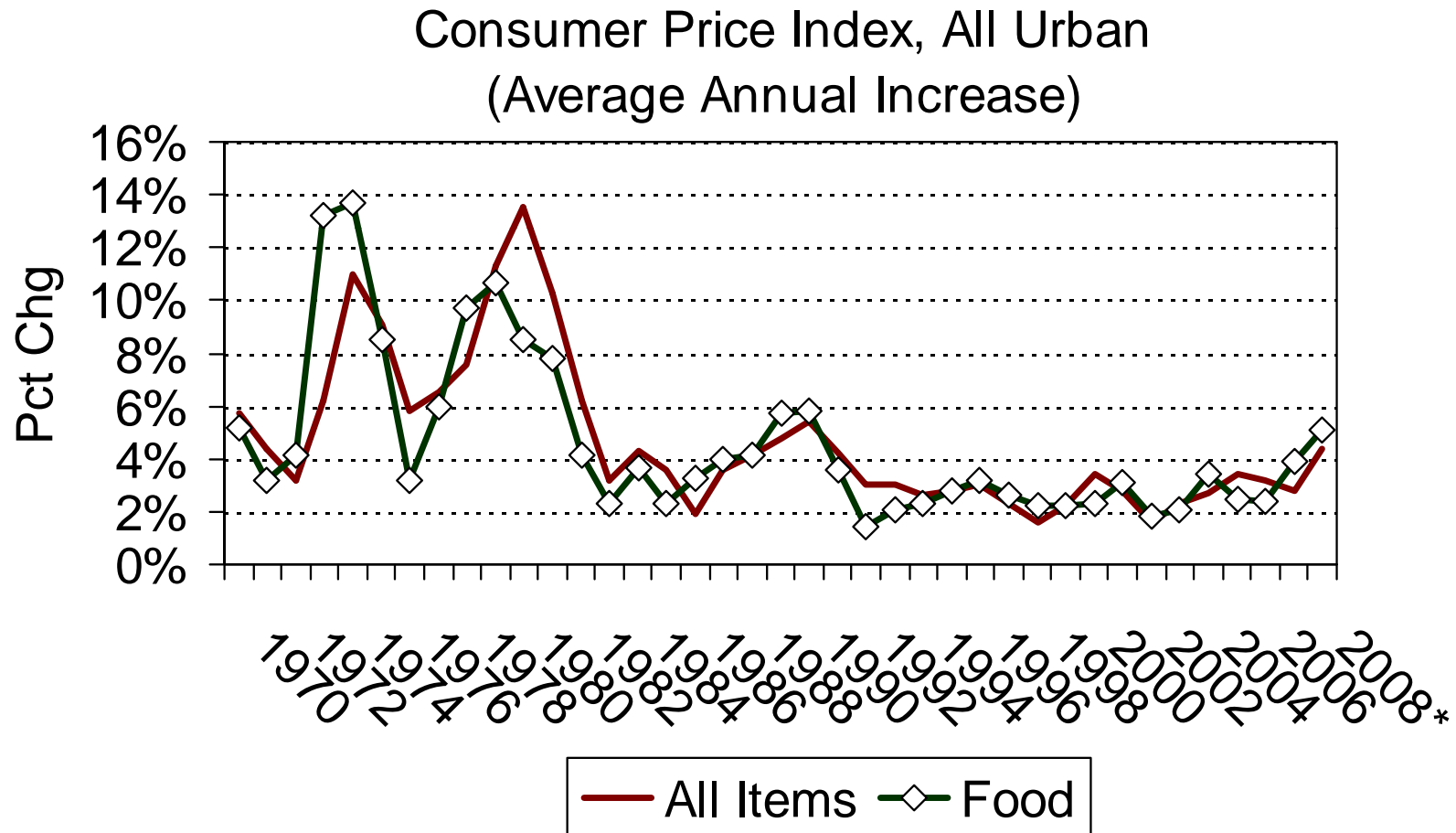
Ethanol has become an increasingly important component of corn demand.

U.S. Corn Used for Ethanol Production



Source: USDA/ERS

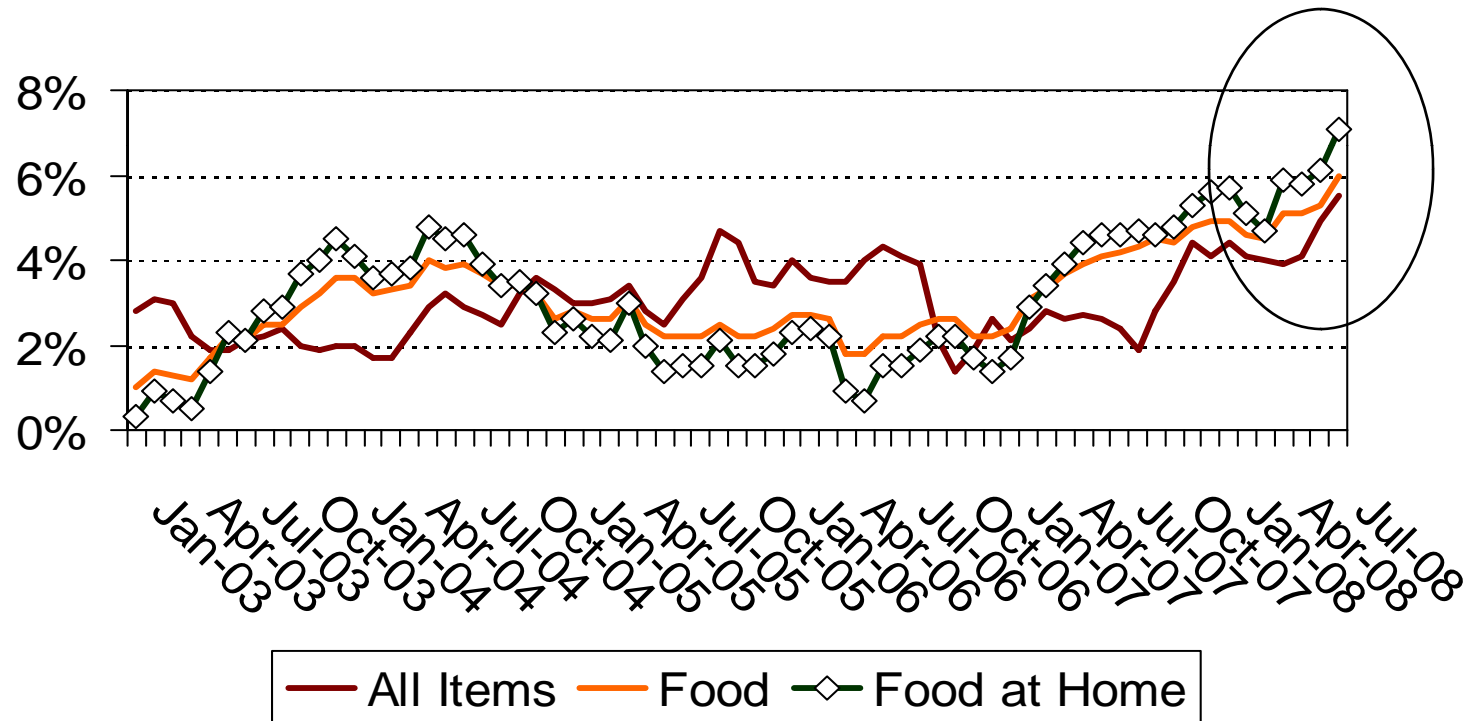
Let's put food price inflation in a historical context.



Source: BLS; *2008 YTD

Retail food prices are accelerating faster than the overall CPI.

CPI-U, Percent Change from Previous Year



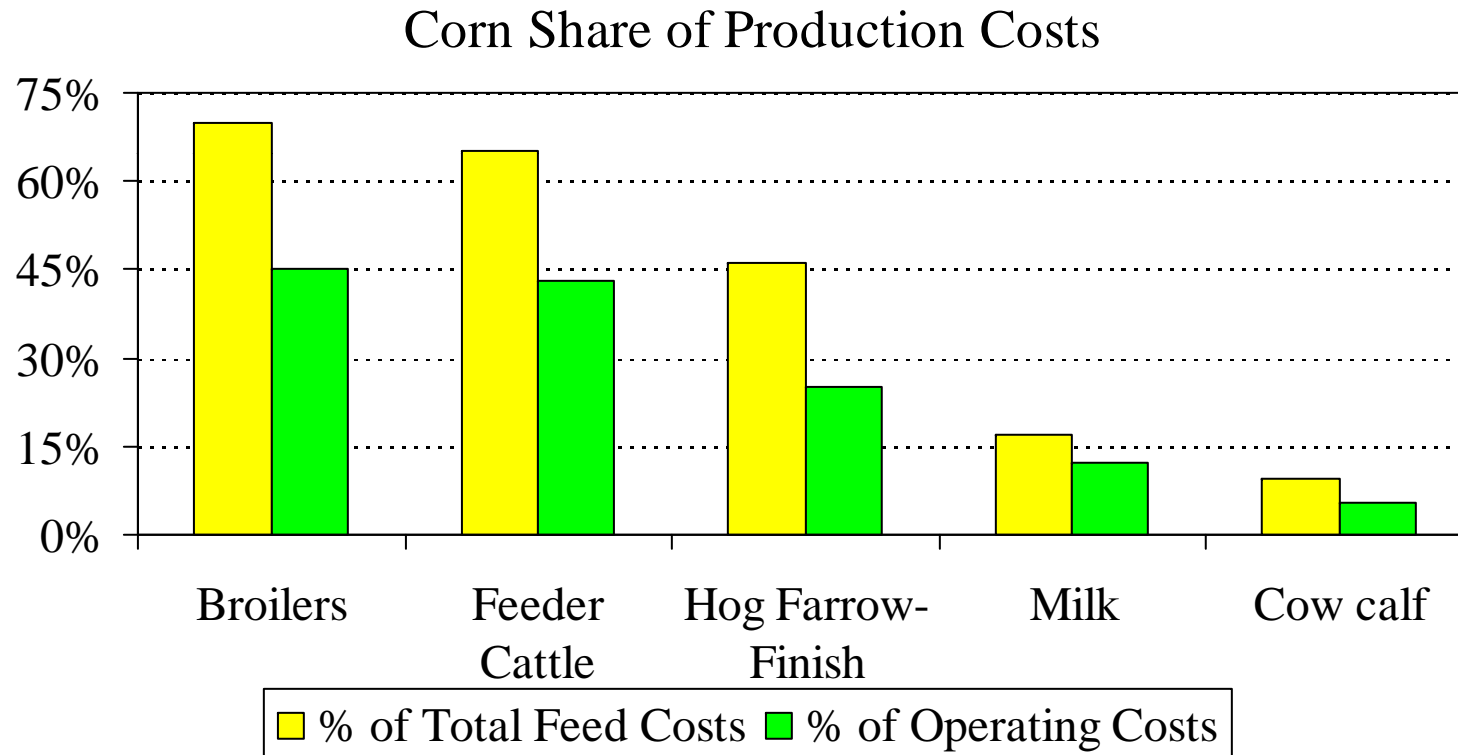
Source: BLS



Corn and Consumer Food Prices

- ❖ The corn used to make ethanol impacts consumer food prices indirectly.
- ❖ Corn is a raw material/ingredient in producing finished foods.
 - Beef, pork, other meat
 - Poultry and eggs
 - Milk, cheese, ice cream
 - HFCS
 - Starch and corn oil

Corn is a major input for livestock and poultry growers, but its importance varies.

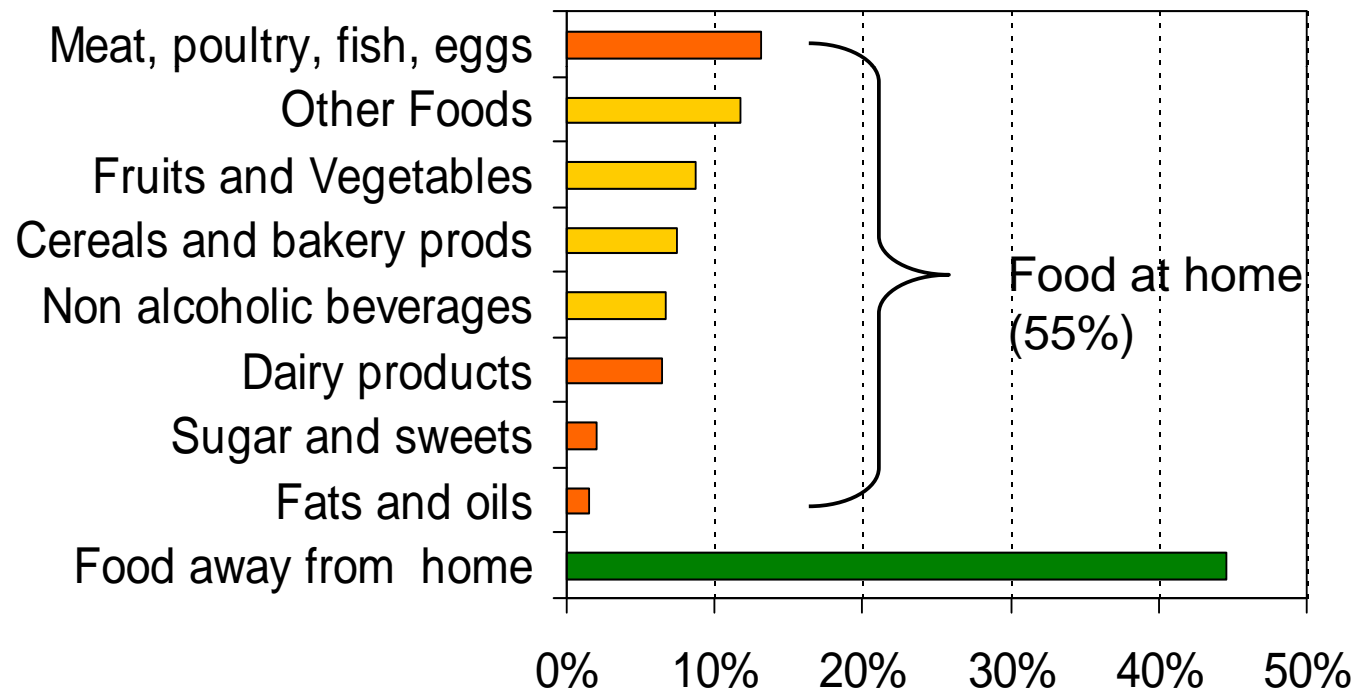


Sources: USDA/ERS; Iowa State University, Penn State University; Tufts University



The foods directly impacted by corn and soybeans account for only about 25% of the consumer's food basket.

Relative Importance: CPI for Food



Source: Relative importance of components in the Consumer Price Indexes: U.S. city average, December 2007. Bureau of Labor Statistics

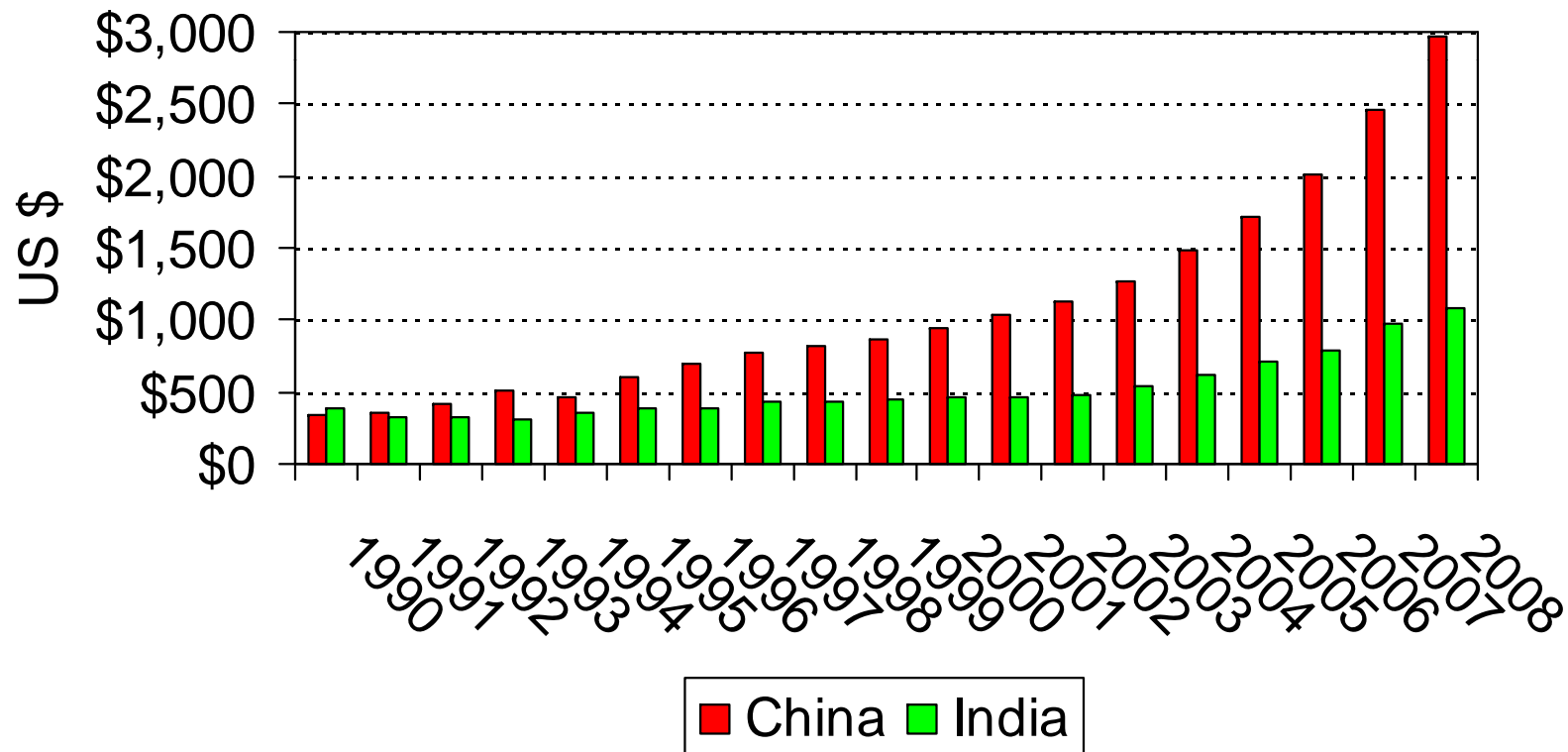


The Relationship between Biofuels, Corn, and Consumer Food Prices is Complex.

- ❖ Energy has a significant impact on food prices
- ❖ Strong global demand is driving commodity price increases
- ❖ Droughts in Australia, Europe and elsewhere have shorted world supplies
- ❖ Increased exports are fueled by a weak US dollar
- ❖ Speculation has impacted the commodity markets
- ❖ Biofuels demand is increasing demand for grains, sugar and oilseeds

Per capita income growth is stimulating food and energy demand in emerging markets.

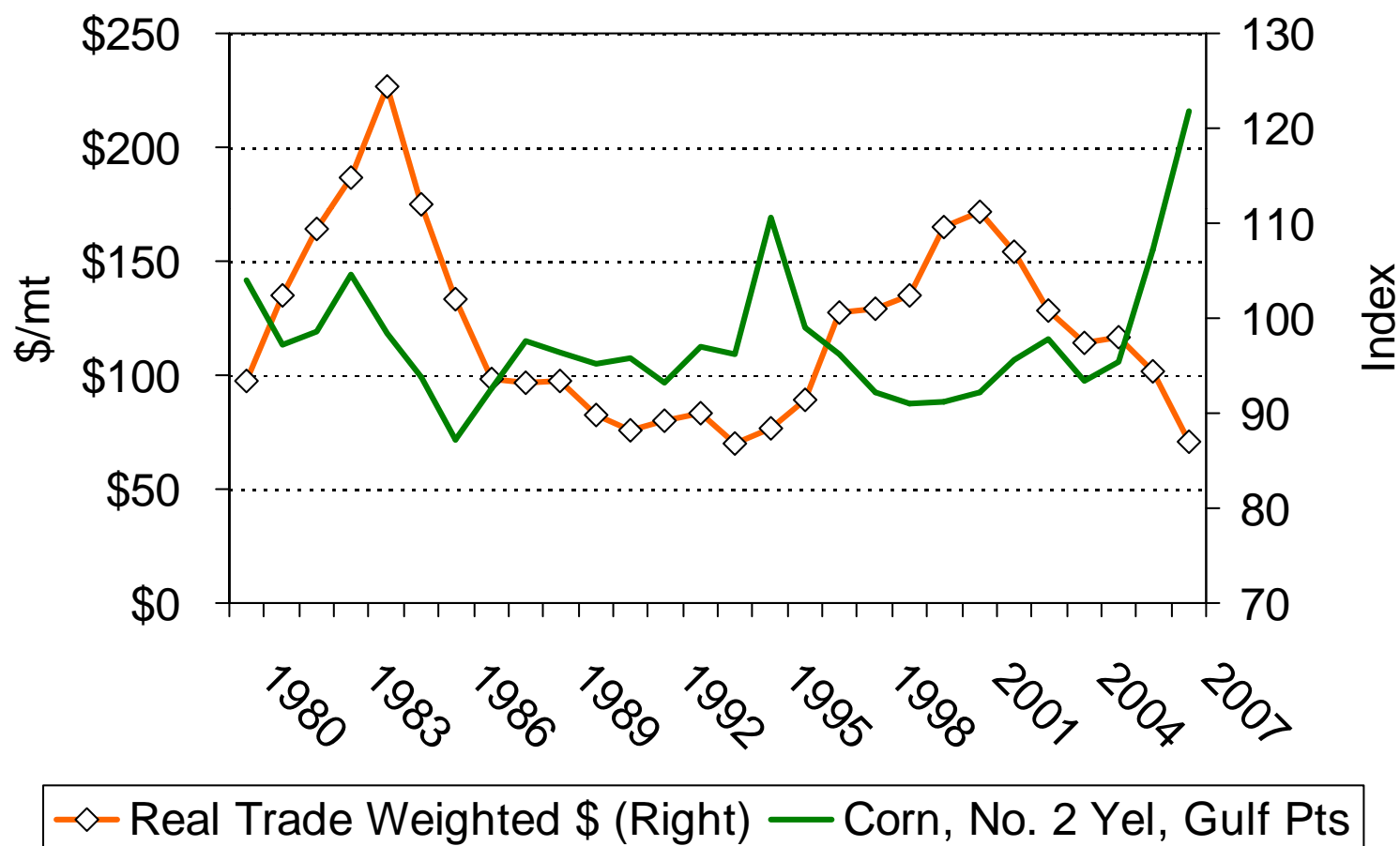
Per Capita GDP



Source: IMF

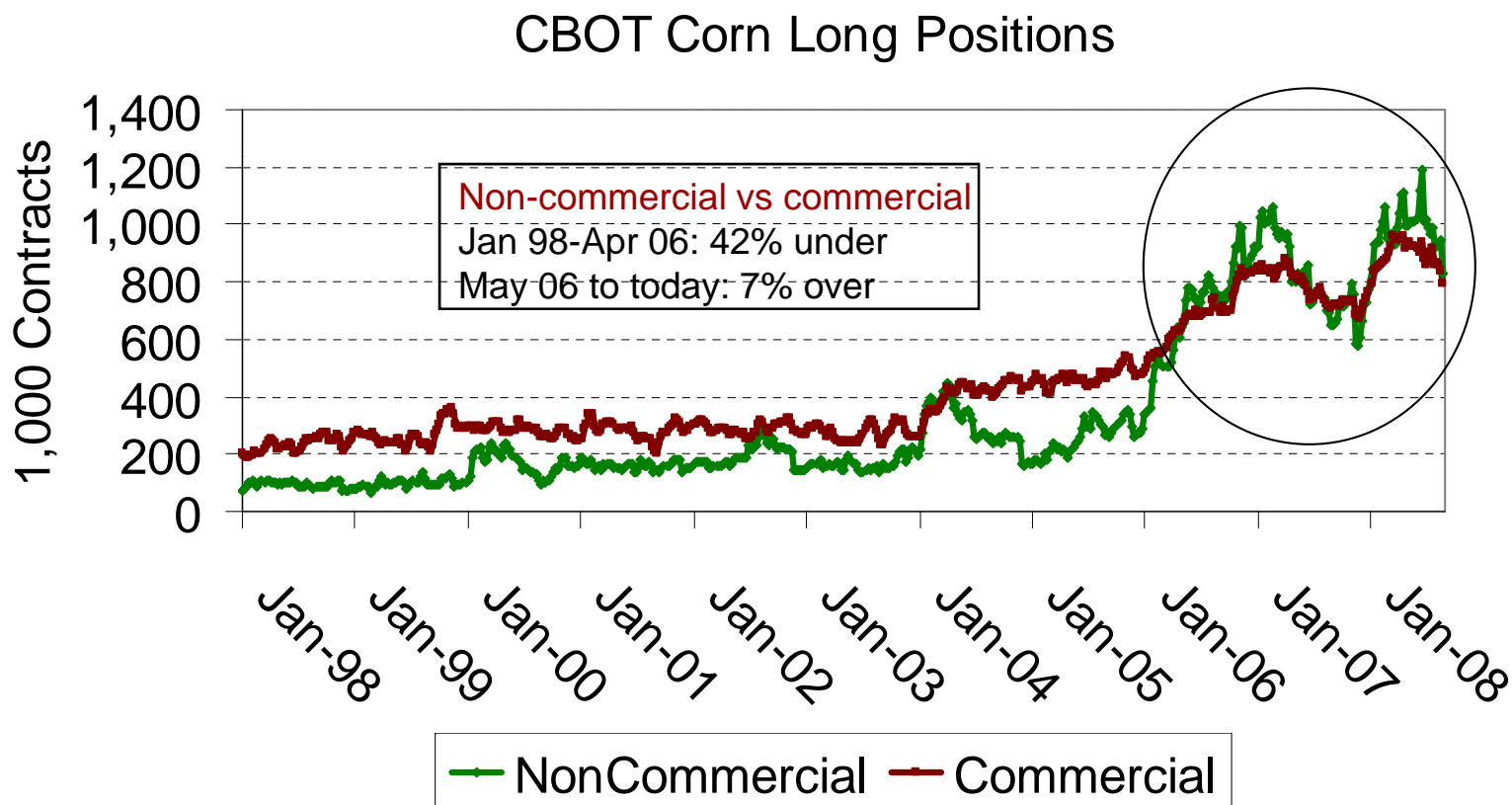


Weak dollar is helping offset high nominal corn prices

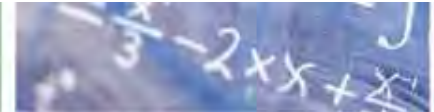


Source: USDA/ERS; Federal Reserve

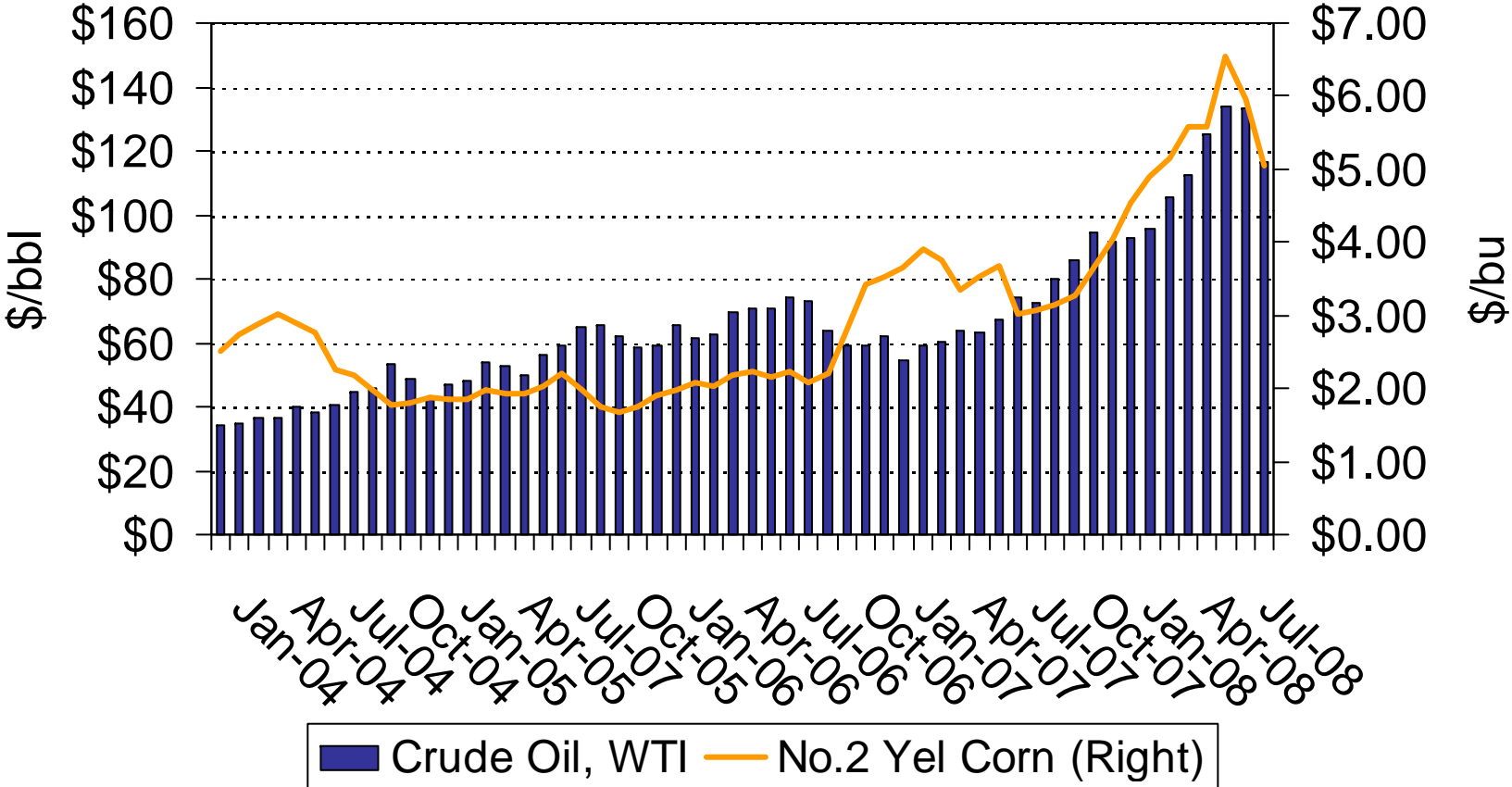
Speculation has been a major factor driving corn prices since mid-2006.



Source: CFTC



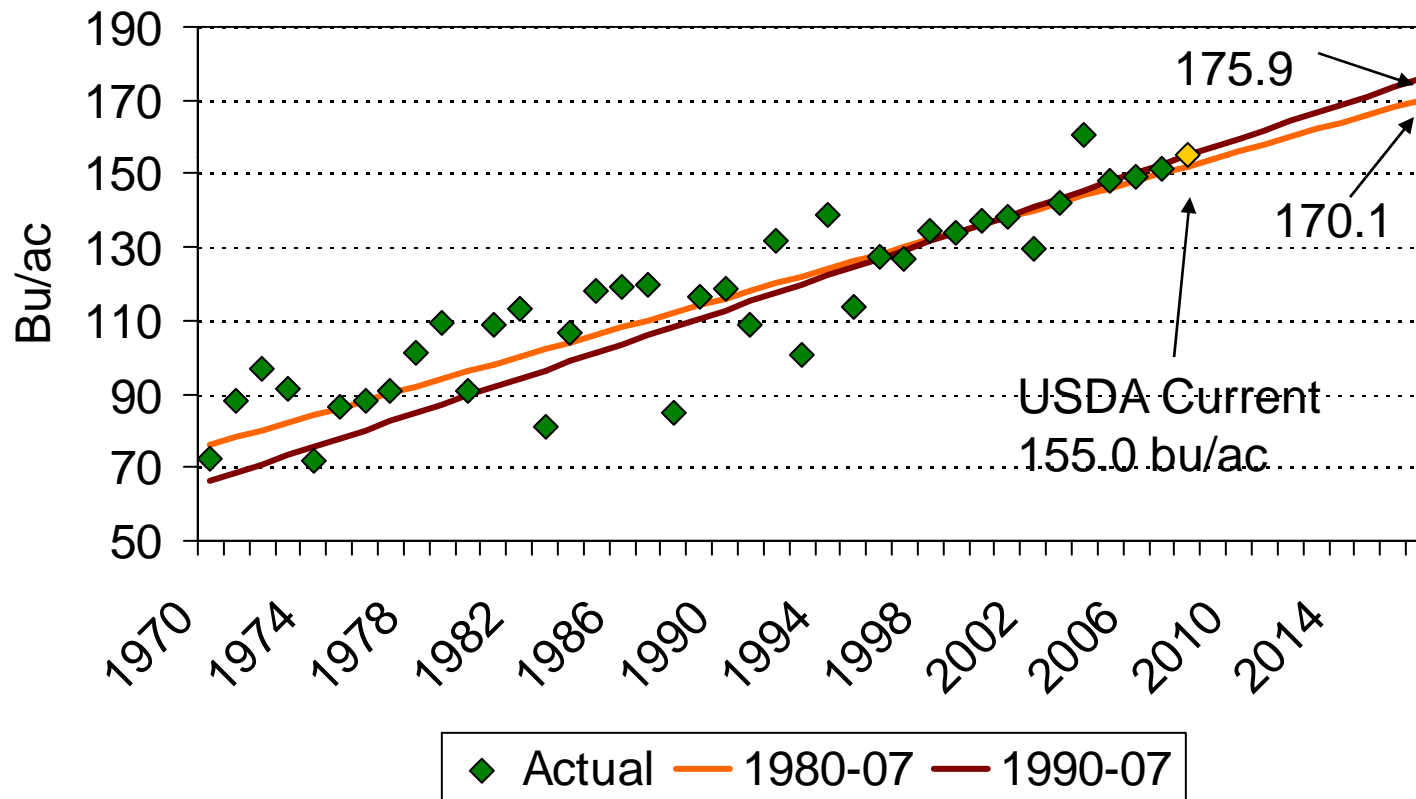
Oil is Driving the Commodity Markets



Source: EIA, USDA

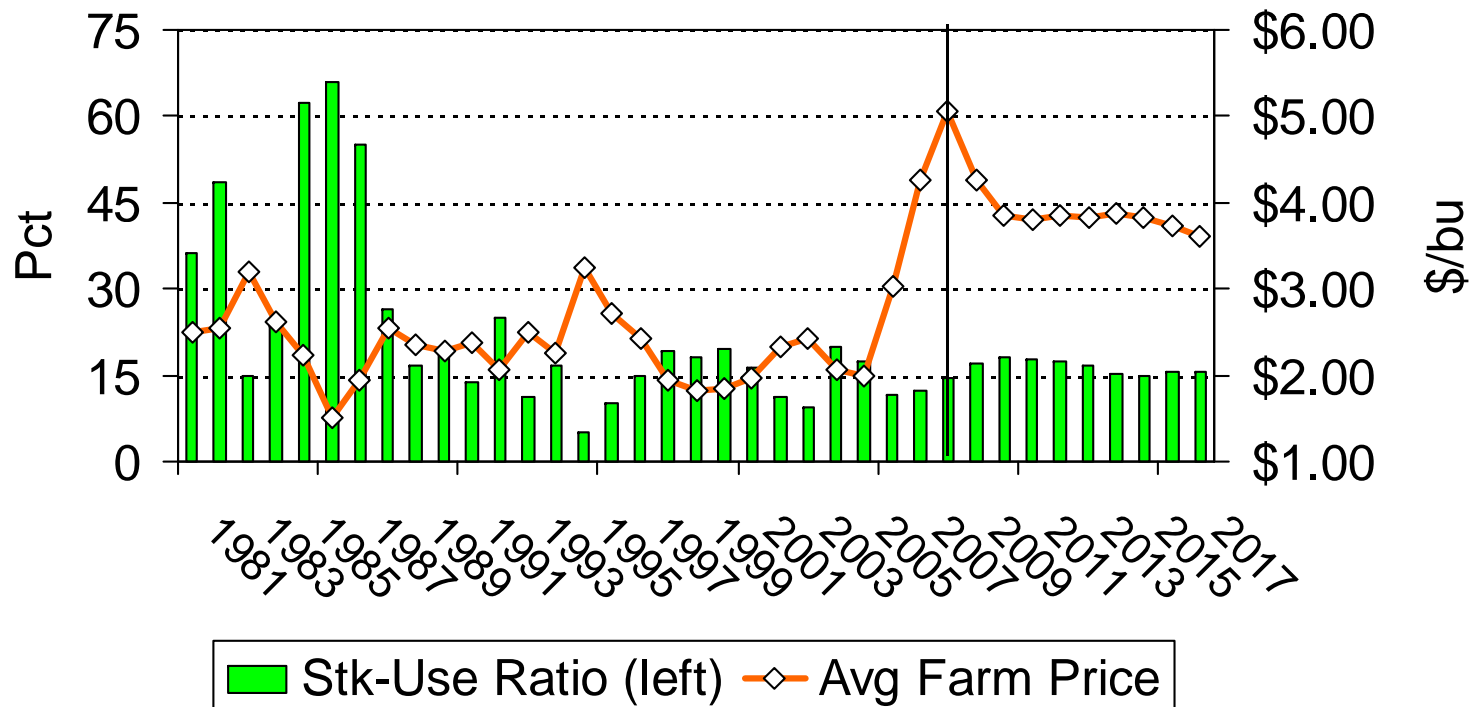


Corn yields are accelerating thereby reducing the need for additional acreage



Current corn prices are not consistent with supply and demand fundamentals. Some moderation is likely.

U.S. Corn Stocks and Price



Source: USDA/ERS