



Written by [Bob Adelman](#) on August 15, 2012

Drought Recharges Ethanol Debate

Last Friday's biannual report from the Agriculture Department [has re-ignited debate](#) on the wisdom of using ethanol in gasoline to reduce emissions. Because of the drought, corn yield per acre this year will be the lowest since 1995, while the actual production of corn will be the lowest since 2006. A congressional mandate to turn corn into ethanol in order to reduce emissions requires converting nearly 40 percent of that harvest into 13.2 billion gallons of ethanol. That leaves precious little to feed cattle and people, driving up the price.



Since January the price of corn [has jumped 22 percent](#), most of the increase since June. Marie Brill, senior policy official with [ActionAid USA](#), explained:

If the U.S. only produces 10.8 billion bushels of corn and 5 billion bushels still goes to make ethanol, a shrinking percentage of corn is left for food and feed. It is time to rethink ethanol mandates that ensure that cars eat before people.

Pressure has been building on the Environmental Protection Agency (EPA) to back off on the mandate, at least until the drought is over. This would increase the supply of corn available for feed, and theoretically at least, reduce its price. In a free market, that's exactly what would happen.

But the current production of corn and other foodstuffs is so regulated and politicized that such outcomes are far from predictable. Democratic governors Jack Markell of Delaware and Martin O'Malley of Maryland filed petitions with the EPA to waive the renewable fuel standard (RFS) and suspend biofuels production for the duration of the drought. 156 members of Congress have sent a letter to EPA administrator Lisa Jackson to scale back the RFS, while Representatives Bob Goodlatte (R-Va.) and Jim Costa (D-Calif.) have sponsored a bill to force the EPA to cut back the RFS by 50 percent. And 25 Senators have written to Jackson [urging her to back off the RFS as well](#):

As stressful weather conditions continue to push corn yields lower and prices upward, the economic ramifications for consumers, livestock and poultry producers, food manufacturers and foodservice providers will become more severe.

We ask you to adjust the corn grain-ethanol mandate of the RFS to reflect this natural disaster and these new market conditions. Doing so will help to ease supply concerns and provide relief from high corn prices.

Even the United Nations (UN) has gotten into the act. Director General Jose Graziano da Silva [wrote](#): "An immediate, temporary suspension of that mandate would give some respite to the market and allow more of the crop to be channeled towards food and feed uses."

The impact of the drought and the resulting high prices for corn is expected to impact prices for beef, poultry, pork, and milk, with prices at stores [expected to jump by 10 percent or more](#) if the drought continues.



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Those benefitting from the ethanol mandate, in the biofuels industry, are pushing back, holding that the drought isn't likely to have any continuing impact on corn prices at the consumer level and that ethanol producers have plenty of supplies already stockpiled to meet the requirements of the RFS. Brent Erickson, executive vice president of the Biotechnology Industry Organization, [said](#):

There's a lot of hype and hyperbole going on by the industrial livestock producers and the petroleum refiners. Our goal is to make sure that our voice is heard and that the facts are out.

One of the facts missing from the conversation, according to Senator Charles Grassley (R-Iowa), is that much less corn is needed to meet the mandate than producers estimate: "When the distillers' grains are factored in, 43 percent of the corn supply is available for animal feed. Only 28 percent is used for ethanol."

Another fact missing from the revived controversy about ethanol use in gasoline to reduce emissions is that, [according to two studies](#), done at Princeton University back in 2008, ethanol usage *actually increases emissions* once all direct and indirect costs in producing it are considered. The report's results show that emissions as a result of the mandate are increased by 93 percent when compared to gasoline that hasn't been modified.

Given the intersection of the various conflicting interests in the ethanol debate — the producers and consumers of corn, the ethanol producers, the EPA, the political interests of legislators, and the weather — it is highly unlikely that anything will be done. As the rainy season approaches, the drought will subside, as will the debate. Said Grassley:

The drought is enormous in both scale and severity. But we won't know the true impact until September, when the harvest begins. I would suggest that those claiming the sky is falling withhold their call for waiving or repealing the Renewable Fuels Standard. It's a premature action that will not produce the desired result.

Photo: The sun rises over grain bins and a drought-struggling corn crop, Aug. 4, 2012 in Ashland, Ill.: AP Images



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