Written by **Brian Koenig** on October 16, 2012

Ethanol Mandates Plague Developing Countries With Rising Food Prices

The expanding use of ethanol in U.S. oil production, prompted by government mandates that require the use of biofuel in gasoline, is escalating the price of corn while plaguing poor countries with rising food prices. Critics worldwide are now questioning the federal government's ethanol mandates, as the use of American-produced corn for biofuel has added more than $6.5 billion to the food import bills of developing countries, particularly in North Africa and Central America.

A new report published by anti-poverty group ActionAid USA, entitled *Fueling the Food Crisis: The Cost of Developing Countries of U.S. Corn Ethanol Expansion*, indicates that federal requirements that mandate the inclusion of ethanol in gasoline have imposed a significant burden on corn-importing countries.

The quantity of U.S. maize that goes into producing ethanol equals a sizable 15 percent of global corn production, which in turn has inflated food prices throughout the world. ActionAid's analysis expounds on a working paper from the Global Development and Environment Institute (GDAE) at Tufts University in Massachusetts. "Higher corn prices have had a direct impact on the food-import bills of developing countries, many of which have become heavily dependent on outside sources of basic food commodities in the last 25 years," the GDAE study reports. Among other findings the paper highlights:

• Net Food Importing Developing Countries, among the most vulnerable to food price increases, incurred ethanol-related costs of $2.1 billion.

• Thirteen developing countries incurred per-capita impacts greater than Mexico's, and they include a wide spectrum of large and small countries from all regions of the developing world — Colombia, Malaysia, Botswana, Syria.

• North African countries saw large impacts, with $1.4 billion in ethanol-related import costs, led by Egypt ($679 million). Other countries experiencing social unrest — Tunisia, Libya, Syria, Iran, Yemen — also suffered high impacts, highlighting the link between rising food prices and political instability.

• Central American countries felt impacts nearly those of Mexico, scaled to population. The region has seen its dependence on food imports rise over the last 20 years, and corn imports cost an extra $368 million from 2006-11 due to U.S. ethanol expansion. Guatemala saw the largest impacts, with $91 million in related costs.

• Latin American partners to trade agreements with the United States saw high costs, as import-dependence grows. The six-year ethanol-related cost of corn imports was $2.4 billion for Latin American nations involved in NAFTA, CAFTA-DR, and the bilateral agreements with Panama, Colombia, Peru, and Chile.

The GDAE study overlaps ActionAid's report in that U.S. government mandates on ethanol, which have contributed largely to rising food prices, are a severe and undue burden on impoverished nations. "Strong policy should not be based on prayers for good weather, especially when the stakes are so high," asserted Kristin Sundell, a policy analyst for ActionAid. "From the U.S. Environmental Protection Agency to the G20, it is time to recognize that current biofuel mandates are unsustainable."

In the wake of the 2008 price-spike, the world's least developed countries imported $26.6 billion in agricultural goods while exporting only $9.1 billion, leaving a trade deficit for these overwhelmingly agricultural nations of $17.5 billion. As a consequence, continents such as Africa are now spending billions of dollars more on food imports.

ActionAid is now calling on G20 leaders, who are meeting on World Food Day, October 16, to curb government incentives that promote unsustainable biofuels production. The group is honing in specifically on departments such as the U.S. Environmental Protection Agency (EPA), requesting that they waive ethanol mandates so that food is not turned into fuel when crops are at scarce levels.

"With less corn available for food producers and a greater portion of potential-feed being syphoned off to ethanol, our members are concerned with the global impact this mandate is causing," affirms Joel Brandenberger, president of the National Turkey Federation. "Our members feel it is their obligation to contribute responsibly to the global food market, and the ethanol mandate is strangling their ability to affordably provide food to importing nations."

At the very least, critics note, the Renewable Fuel Standard (RFS), which mandates a percentage of ethanol in gasoline, should be softened when food stocks fall below certain levels. "The ActionAid report makes two things abundantly clear," Marlo Lewis, a senior fellow at the Competitive Enterprise Institute, said during a press call to release the report. "First, the RFS is making it harder for the world's poorest people to feed themselves. Second, the RFS consumption and blending mandates should be eliminated or, at a minimum, automatically reduced when corn stocks fall below critical thresholds."

But developing nations are not the sole casualties of the RFS mandate, as U.S. citizens themselves also bear a significant burden, claims Alan Caruba, writing for CNSNews.com. "Ethanol is bad science," he writes. "It is bad for the engines of cars that must use such a gasoline blend. It increases the cost of gasoline and all other corn-based products. It actually increases the amount of CO_2 in the atmosphere. And it reduces the mileage a car can achieve with pure gasoline."

Citing Sel Graham, an author and former petroleum reservoir engineer with more than 50 years experience in the industry, Caruba says waiving the RFS requirement would significantly reduce gasoline prices, resulting in improved national security, and would also sharply reduce carbon dioxide emissions.

Waiving the RFS mandate, Graham explains, would abolish the millions of dollars in waivers that refineries must purchase due to a lack of cellulosic ethanol production, thereby curbing the increasing pain at the pump. "The 2012 RFS for cellulosic ethanol is 8.65 million gallons," the oil expert notes. "Cellulosic ethanol production through August 2012 has been only 20,069 gallons, a shortage of 8.63 million gallons requiring $0.78 per gallon waivers."

Given the vast regions of oil reserves in the United States, both domestic and offshore — not to mention the fact that ethanol production reportedly contributes to global warming — critics assert that the federal government's ongoing push to compel the use of such biofuels contradicts sound energy policy.

Indeed, as Caruba puts it, “Current government energy policies are a definition of insanity.”