

BACKGROUND / *Morris W. Dorosh, Publisher Agriweek*

At almost every turn these days, it seems, the biofuel phenomenon is under attack. Last week it was an incredibly shallow and one-sided cover story in *Time* magazine. *Time* is not what it once was; it was once said that its companion picture magazine *Look* was for people who could not read, while *Time* was the one for people who could not think. If anything that has become more the case. But more serious periodicals such as the *Wall Street Journal* and *Barron's* are also habitual critics of the use of grain to make motor fuel. Last week's *Time* article was particularly ludicrous when it linked the destruction of rain forests in South America with ethanol production. (High-level research has established that little or no forest land has been cleared for crop land; deforestation has been almost wholly the work of the timber interests).

Lately the ethanol and biodiesel naysayers have latched on to the idea that use of grain for fuel is causing food price inflation and worsening the state of the poorest people on the earth. Record-high grain prices have so far had an insignificant effect on food inflation; higher energy costs for processing and transportation have had more. For the time being food prices are actually being subsidized by the meat industry, which has not adjusted to the reality of the highest feeding costs in history. In time it will do so, and of course some impact on inflation is inevitable. However it will be at most a one-year phenomenon as grain and meat prices scale a plateau. There may be an inflationary effect during the rise of corn prices from \$2.50 to \$5, but there will be no additional pressure if corn stays at \$5. It has been shown that at most 10% of the increase in corn prices is eventually reflected in the retail prices of foods made from corn. A doubling of corn prices, which has already occurred, cannot raise the consumer price index by more than 1% for a very temporary period.

Everybody who attacks renewable fuels by definition supports the intolerable situation regarding oil imports by the western world, and also Asia, and the transfer of wealth to nations and interests that are fanatically hostile to our way of life. It is clear that the economic and geopolitical benefits of alternative fuels are more attractive than the environmental benefits. Criticizing high commodity prices also requires the critic to support the idea that the farming industry has an obligation to furnish cheap food. Those who run down alternative fuel subsidies do not know what they are talking about. The 52-cent-a-gallon U.S. ethanol subsidy on 8 billion gallons a year of current production is \$4.2 billion; U.S. crop subsidies, which are so replaced, ran to \$20 billion in some years. The cost of middle eastern military adventures, which can be legitimately connected with security of the imported oil supply, exceed \$4 billion a month.

The question is whether this sensationalist and persistent criticism in the media, whatever its motives and intellectual quality, is likely to change government policy supporting non-fossil fuel development. The answer at least up to now is no.

The momentum behind biofuels is hard to overestimate. All political parties in most of the countries that matter are irrevocably committed to alternative energy. Renewable fuels happen to be an issue on which a very wide assortment of opinion has been able to come together. The environmental lobby is on the same side as the farm lobby, also the trade protectionist lobby and the national security lobby. Even the oil industry knows better than to resist it. To reverse government support for alternative energy development would be to abandon the only tangible

strategy that most governments have for environmental improvement and reduced vulnerability to external energy-related forces.

Nevertheless the renewable fuel sector is evolving, like more or less everything else. No one in the know ever contended that ethanol and biodiesel can displace all imported oil, nor did anyone expect that the rates of expansion seen over the last three or four years can be extended indefinitely into the future. An equilibrium has to be reached between conventional fuel prices, corn and other crop prices and processing and transportation costs of alternative fuels. When it is reached it may well be necessary to moderate expectations as to the ultimate scale of renewable fuel production and its contribution to total energy demand. However unless all government material and policy supports for biofuels are abandoned we will never see \$2 corn again.

It is peculiar that the types who write negative articles on alternative energy and food costs are also bound to be those who rail against modern large-scale agricultural methods, without which a chicken in a supermarket would cost at least \$15.