

Lowell Sun

Food prices are out of control

By Peter Derouen

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Every day we see headlines about the gas prices. But while the media has been fixating on the pump, another, potentially more damaging inflation story has gone relatively unnoticed: the alarming spike in food prices. What is especially troubling about food price inflation is that it is being largely driven by policies our own government has put in place to divert corn for ethanol production. It's time for these policies to change.

Ethanol policy is the classic tale of unintended consequences. Lawmakers wanted a home-grown alternative to foreign oil. So they put in place a sweeping set of policies to boost the ethanol industry: a subsidy for blending ethanol into the gas supply; a tariff on imported ethanol; a mandate that requires billions of gallons of ethanol be included in our fuel supply.

If Congress wanted to see ethanol flourish, they got their wish. This year, America is going to burn about one-third of our nation's corn crop as fuel. The problem is that this massive, unprecedented diversion of food is having huge economic impacts.

When you reduce the supply of any product by one-third, its price will go up. And corn prices are up indeed. Corn prices have tripled in the past couple of years and have been at record levels for much of 2008. With corn prices skyrocketing, farmers are planting more corn and less of other grains -- so the price of wheat, soy and other crops has also gone up. Corn is also the primary ingredient in animal feed, so expensive

corn means more expensive pork, poultry, beef, eggs and dairy.

The bottom line is that ethanol policies are driving up costs throughout the entire food system. And working families are feeling the pain. Food prices are rising at an annualized rate of over 8 percent this year. Economists are predicting that unless policies are changed, food price inflation could rise to 9 percent or more for the coming years.

While that number may look small, its impact is huge. When milk, bread, eggs and other staples shoot up in price like that, it hits working families hard. Every extra dollar spent on these essentials is a dollar that can't be put aside for a rainy day. It's a dollar that can't be invested in a child's education. It's a dollar that can't be used toward health care and other basic needs. For families clinging to the middle class, rising food prices are a cruel shove in the wrong direction.

This is also a jobs issue. With food prices spiking, supermarkets and small businesses including restaurants and the food distributors that service them are also being squeezed. Livestock and poultry producers are shutting down plants and cutting workers. Already, thousands of lost jobs can be attributed directly or indirectly to ethanol -- and the worst is yet to come, with the mandate increasing each year. The ever-increasing food prices could make it difficult for workers employed in the food industries to maintain jobs that provide good wages and benefits.

It would be bad enough if this was being caused by an act of nature or the workings of the market. But the fact is our own government is doing this to us. Without the generous supports

provided to the ethanol industry, we might still be using some of our corn for fuel -- but certainly not as much as we are today. With the market allowed to work without government interference economists at the Farm Foundation -- an independent policy analysis-group -- believe corn prices could drop by about a \$1 per bushel. Again, that may not sound like a lot -- but for struggling families, every little bit of relief from the pressure of inflation matters a great deal.

There are some who say that ethanol policy is helping corn-belt communities. That may be true. But surely there are better ways to help our farmers than by placing unbearable economic strain on our working families.

This election is likely to be all about the economy. We have already seen heated debates about how to lower gas prices. Before we go to the polls in November, our political leaders can do us all a great service by acknowledging just how serious the food inflation problem has become. And then pledging to do something about it, starting with a change to our misguided policies for turning food into fuel.

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