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MEMORANDUM

To: Reporters and Editors
Re: Ethanol statements at U.N. food conference
Da: Tuesday, June 3, 2008

Sen. Chuck Grassley, ranking member of the Committee on Finance and a senior member of the Agriculture Committee, today made the following comment on statements regarding U.S. ethanol policy at the United Nations Food and Agriculture Organization conference on climate change, bioenergy and food in Rome.

“Some conference participants and observers are using ethanol as a scapegoat for the world food crisis. I suggest they take a good, hard look at their own policies. The European Union bans or restricts the growth and import of genetically modified crops. While U.S. farmers are making great strides through the use of genetically modified grains to feed the world, Europe is taking a step backward. Genetically modified crops have had a lot to do with the increased production of corn per acre, from 107 bushels per acre in 2000, to 150 to 160 bushels per acre in 2007. U.S. farmers responded to the increased demands for grain and produced a record corn crop in 2007. In fact, the Department of Agriculture estimates that this year’s corn exports will be a record 2.5 billion bushels, an increase of 18 percent over last year.

“I’m also concerned by comments about access to the U.S. market for ethanol imports. The United States already provides generous duty-free access for ethanol imports. Through U.S. trade preference programs and free trade agreements, dozens of countries already have duty-free access to the U.S. market for ethanol fully produced in those countries. For other countries, including Brazil, the United States provides duty-free access through a carve-out in a trade preference program called the Caribbean Basin Initiative. So Brazilian ethanol exporters currently don’t have to pay the ethanol tariff.

“Under the Caribbean Basin Initiative, ethanol produced in Brazil and other countries that is merely transshipped and dehydrated in a Caribbean country can enter the United States duty-free up to 7 percent of the U.S. ethanol market. That means that Brazil and other countries can export over 452 million gallons of ethanol duty-free to the United States in 2008 under this program. This duty-free access – as it captures 7 percent of U.S. ethanol consumption – grows every year. Yet Brazil and other countries have never come close to hitting this 7 percent cap. It isn’t that the Caribbean Basin Initiative countries don’t have the capacity to dehydrate more Brazilian ethanol.

They do. Until Brazil and other countries take full advantage of their existing ability to ship ethanol duty-free to the U.S. market, we shouldn't even discuss providing them with yet more duty-free access."