



**Office of the Chief Economist
Office of Energy Policy and New Uses**

Food and Fuel

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University of Georgia – Tifton Campus

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“When it makes the comics, it might be important”





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OVERVIEW

- BIOFRENZY
- High Energy – High Food Prices
- CURE for High Prices is ???



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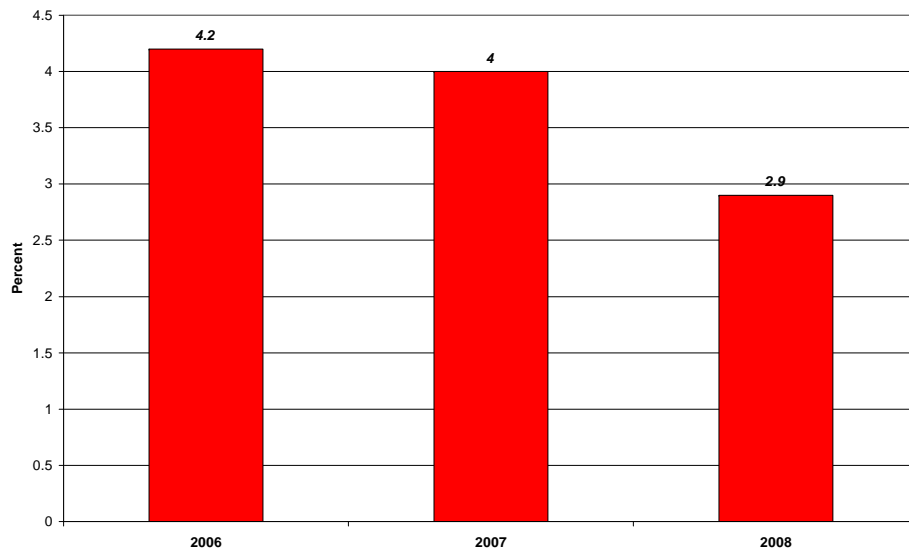
Factors influencing Commodity & Food Prices

- Global Economic Growth
- Weather
- Export Restrictions
- Food Production and Marketing Costs
- Value of the US Dollar
- Biofuels Production

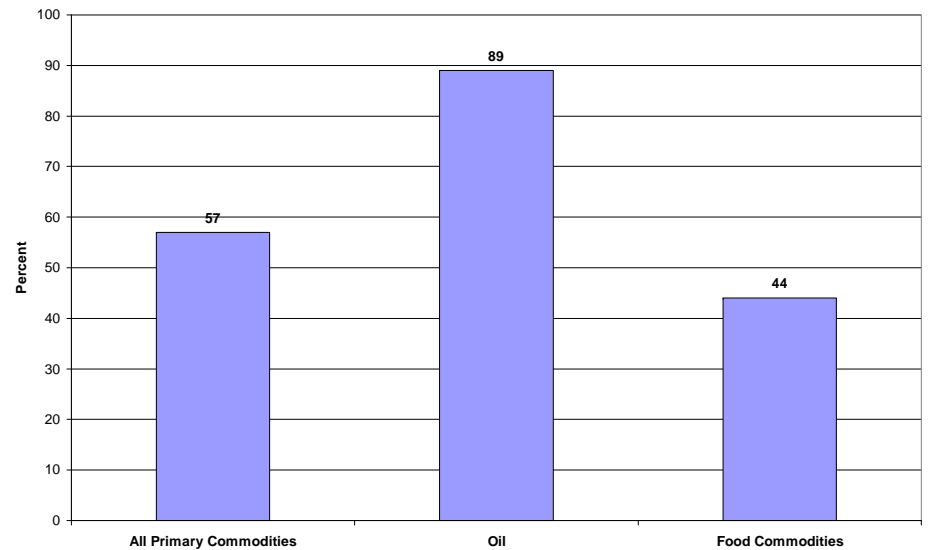


Global Economic Growth & Prices

Real Global Economic Growth



Change in Global Prices May '07 to May '08





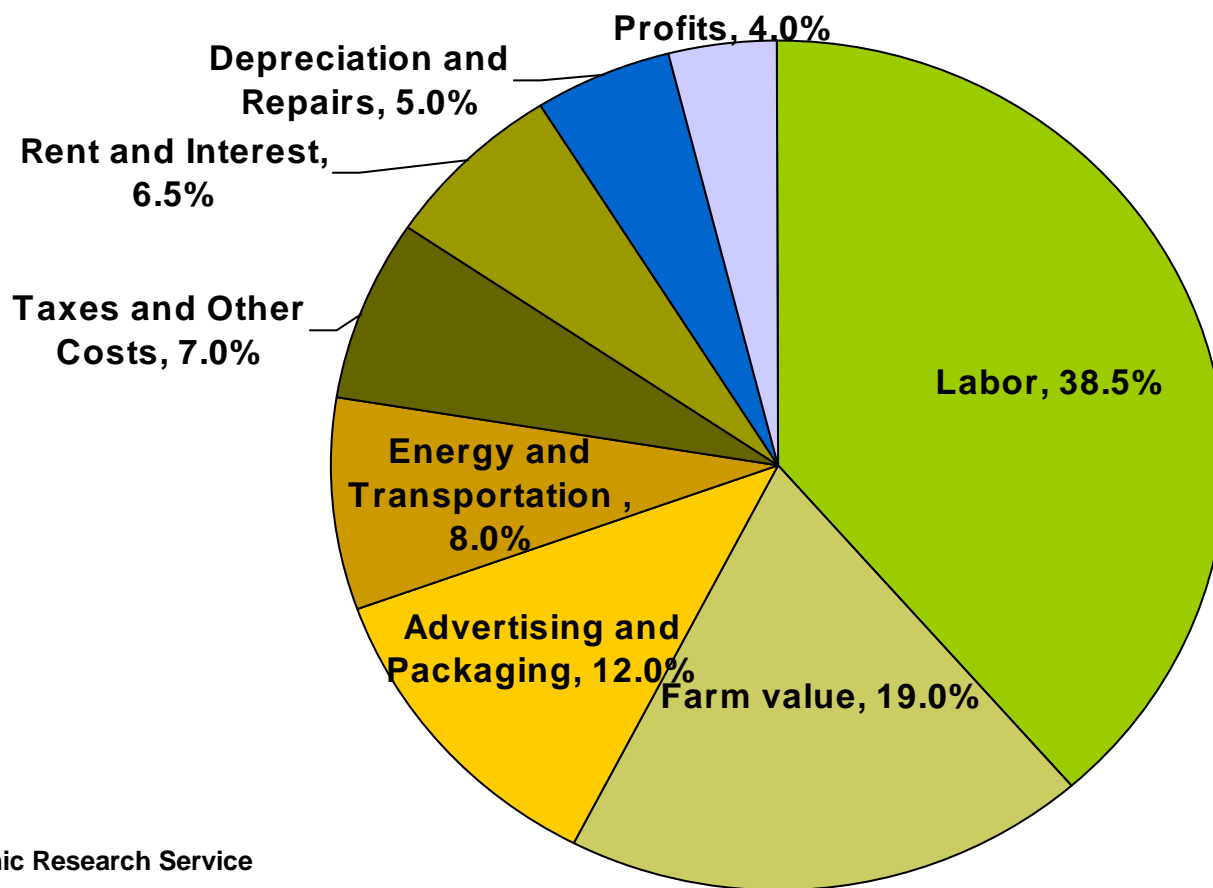
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Weather and Export Restrictions

- Multi- year drought in Australia – reduced wheat and milk production
- Drought & dry weather in Canada, Ukraine, European Union, and U.S. in recent years reducing grain production
- '08 Flooding in the midwest – push corn and soybean prices
- Exporting countries place taxes or restrictions on exports of grains, rice, oilseeds and other products



Food Production and Marketing Costs



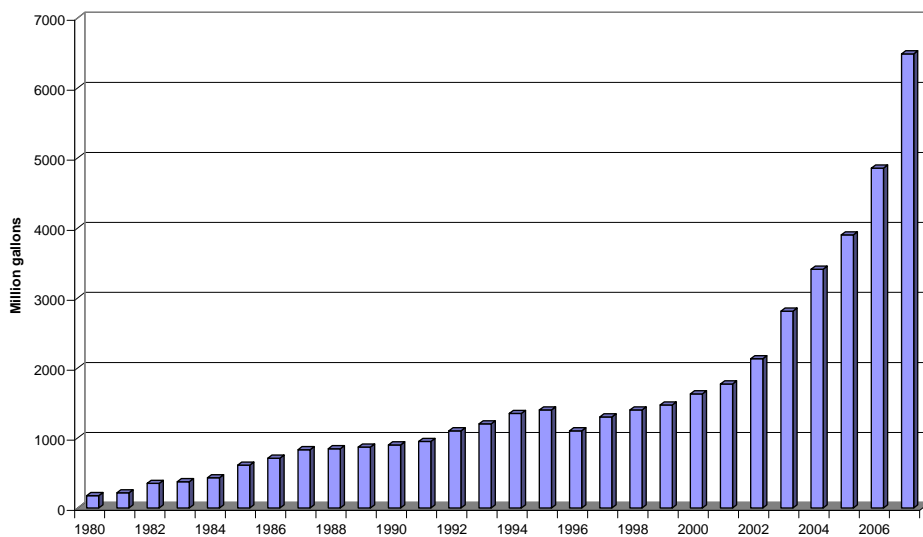
Source: Economic Research Service

Ephraim Liebtag, Calculations using 2006 Data, August 7, 2008

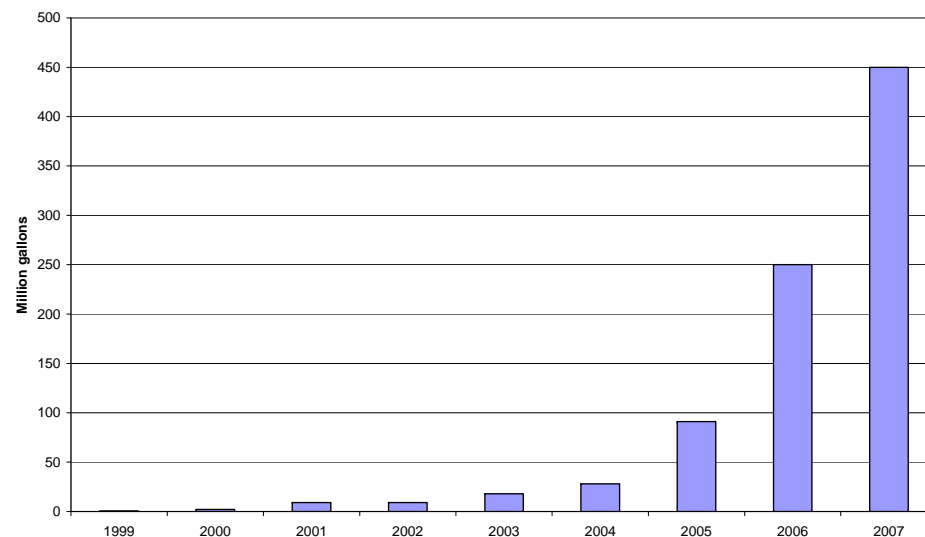


Biofuels Production

U.S. Ethanol Production, 1980-2007



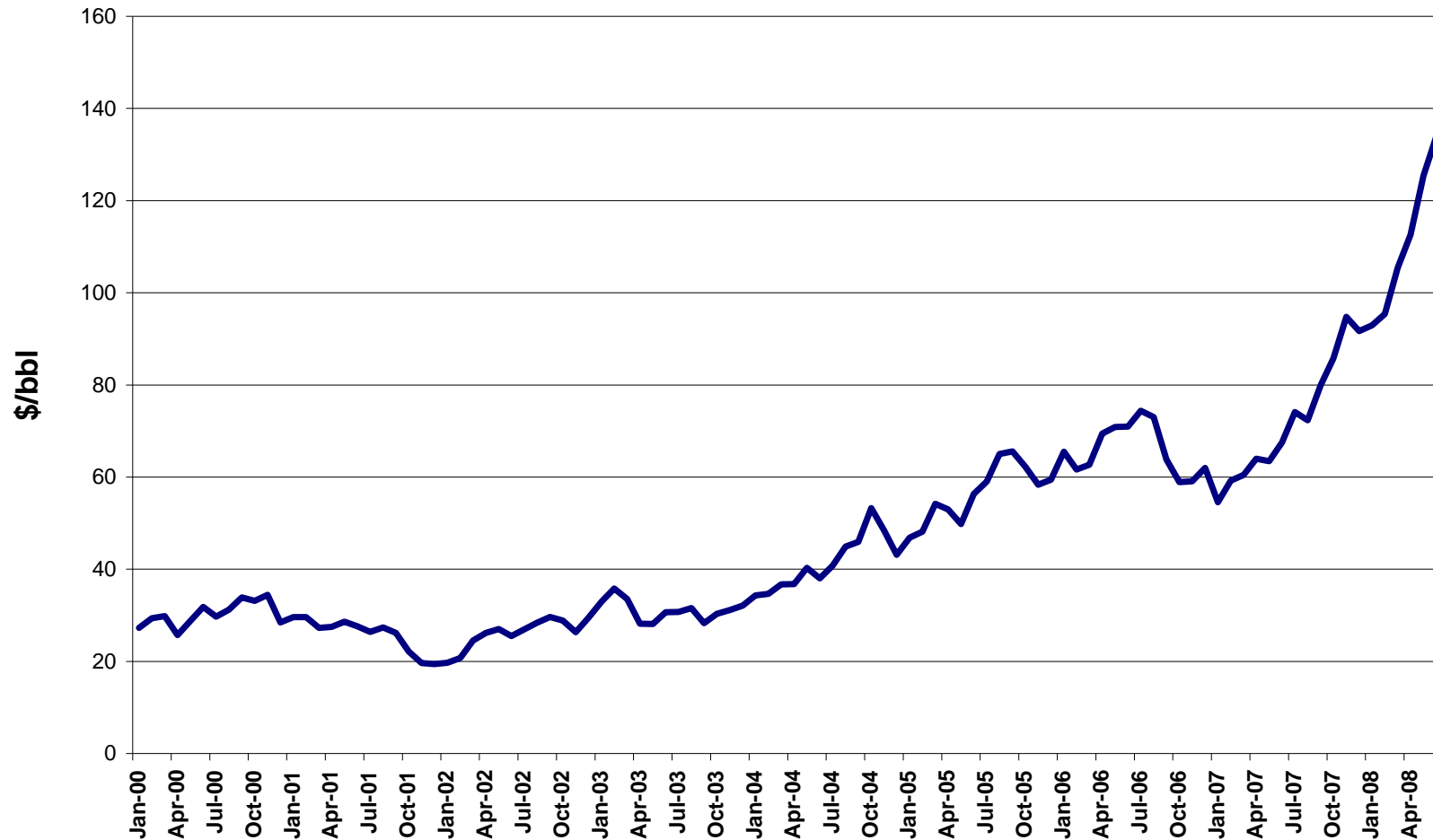
U.S. Biodiesel Production, 1999-2007



2007/08 marketing year, corn use in ethanol accounted for 22% of crop, soybean oil use for biodiesel accounted for 13% of soyoil production and 8% of soybean production

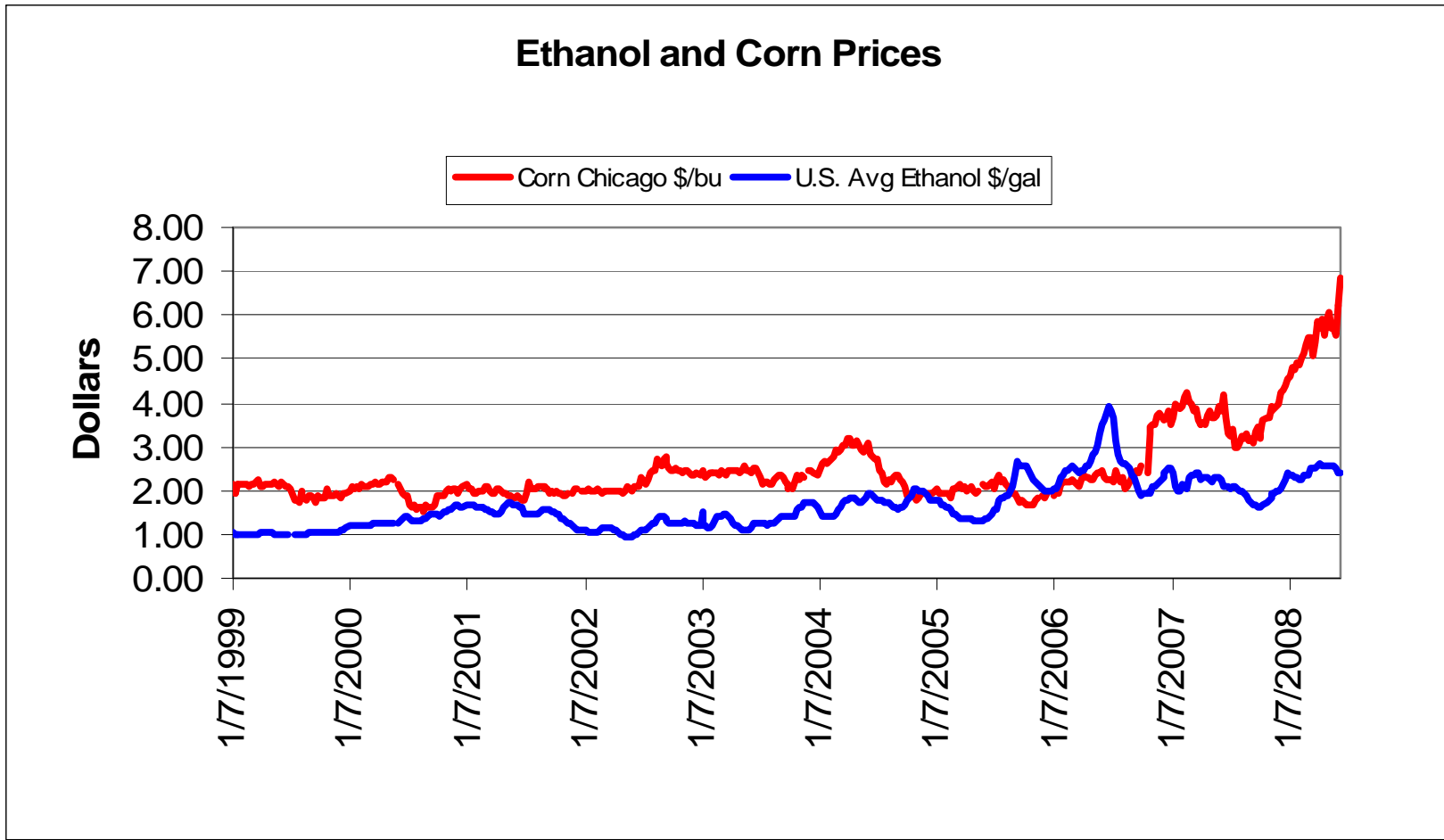


West Texas Intermediate



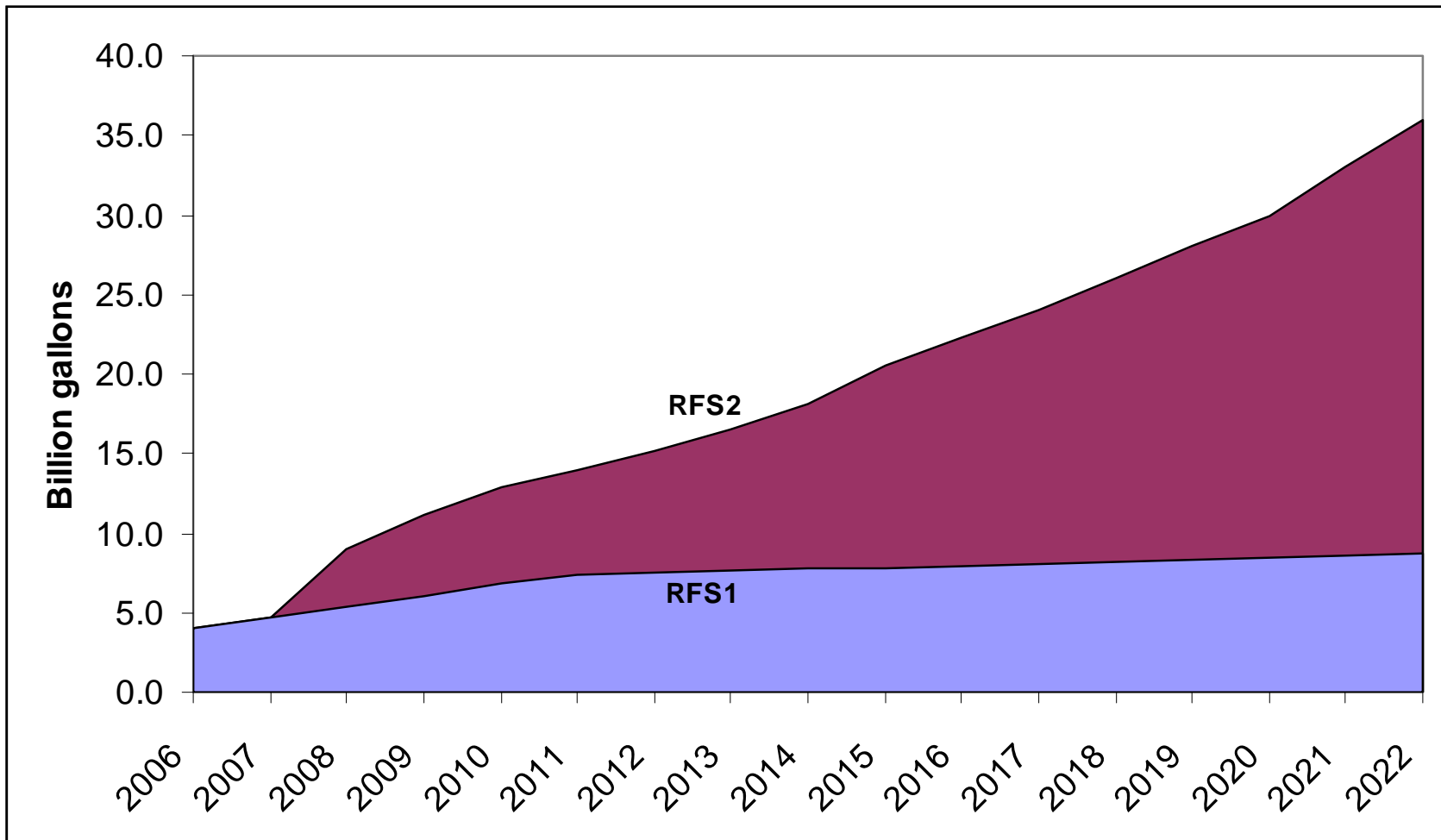


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EISA – EPACT Renewable Fuels Standard





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Factors influencing Commodity & Food Prices

- Global Economic Growth – **slowing**
- Weather – **improving crop conditions**
- Export Restrictions – **easing with new crop production**
- Food Production and Marketing Cost – **farm value relatively low**
- Value of the US Dollar – **strengthen recently**
- Biofuels Production – **continues to expand rfs – higher corn & soybean prices projected 2008/09**



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Increased Biofuels Production

- Growing demand source for corn and soybean oil
- Has been a contributing factor to rise in corn and soybean prices.
Over the past 2 years
 - 30% increase for corn
 - 40% increase for soybeans
- In 2007, food CPI increased by 4%
 - increase in biofuels production added estimated 0.10 – 0.15 percentage point
- After market adjustments, increase in biofuels production could add 0.6 to 0.7 percentage point to the food CPI

Source: Office of the Chief Economist



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Friday, July 4, 2008 by
The Guardian / UK



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On the United States Department of Agriculture's website there is an area with information of food, feed, and fuel which you might find useful. The url address is:

http://www.usda.gov/wps/portal/!ut/p/s.7_0_A/7_0_1OB?contentidonly=true&contentid=foodfeedfuel.xml

On July 2008, the Farm Foundation released new report "*What is Driving Food Prices*"? You may download a copy of this report from Farm Foundation Web site at

<http://www.farmfoundation.org/news/templates/template.aspx?articleid=404&zoneid=26>

The report identified three broad sets of forces driving food price increases:

- Global changes in production and consumption of key commodities
- The depreciation of the dollar
- The growth in the production of biofuels.



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**THANK
YOU!**

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