

**U.S. Senate Committee on Foreign Relations**  
**Senator Richard G. Lugar**  
**Opening Statement for Hearing on Food Crisis**  
**May 14, 2008**

I join in welcoming our witnesses to this hearing examining global food supply shortages and the U.S. response. I applaud the Administration for its announcement on May 1 that it intends to increase food and development assistance by \$770 million in addition to a pending supplemental request of \$350 million, and the release of \$200 million from the Bill Emerson Humanitarian Trust.

The U.S. Agency for International Development, the World Food Program, and the Food and Agriculture Organization estimate that people in nearly 40 countries are now facing food shortages and potential social unrest because of the increase in food prices and the decrease in the global availability of some cereal grains.

The current crisis has developed from a complex web of factors. Expanding affluence in emerging economies like China and India has improved diets for hundreds of millions of people and led to increased global demand for food. Simultaneously, the highest oil prices on record have driven up food costs all along the farm-to-market chain. The surge in oil prices has increased transportation, packaging, and fertilizer costs; and provided the impetus for developing alternative fuels, such as ethanol. We have also experienced droughts in some food exporting countries, expanded trade barriers, a weakening of the U.S. dollar, increased commodities speculation, and market-distorting subsidies.

These factors have come together to make the current food problem particularly acute. But we should be clear that food shortages are likely to recur frequently if the United States and the global community fail to open agricultural trade and invest in agricultural productivity in the developing world.

Unfortunately, the United States and other international donors have de-emphasized assistance for rural development and agricultural productivity. In 1980, agricultural projects accounted for 30 percent of the World Bank's lending. By 2007, they represented less than 13 percent. U.S. foreign assistance for agriculture has declined from an average of a little over \$1 billion annually in the 1980s to an average of \$328 million since 2000. Globally, only 4 percent of official development assistance from all donors in 2007 was allocated for agriculture. This amounts to neglect of what should be considered one of the most vital sectors in the alleviation of poverty. In fact, two new studies from the U.N. Department of Economic and Social Affairs show that funds spent in agriculture are more beneficial to economic growth than spending in other sectors. The effects of the current food situation likely would have been ameliorated if more of the world's poor farmers had access to better technology, titled land, small loans, extension support, and accessible markets.

Beyond resources, we need a more constructive debate about biotechnology and agricultural trade. World leaders must understand that over the long term, satisfying global demand for more and better food can be achieved only by increasing yields per acre. In the 1930s, my father, Marvin Lugar, produced corn yields of approximately 40 to 50 bushels per acre. Today, the Lugar farm yields about 150 bushels per acre on the same land in Marion County, Indiana. The Green Revolution, from 1965 to 1985, saw the introduction of high yield seeds and improved agricultural techniques that resulted in a near doubling of cereal grain production per acre over 20 years. But yields may have to be doubled or tripled again.

Increasing acreage under production or ending the use of biofuels will not satisfy the growth in food demand, and these steps come with serious environmental and national security costs. We need a second green revolution that will benefit developed and developing nations alike. In the context of global food shortages,

Europe has to reexamine its opposition to genetically modified seeds that have the potential to dramatically increase yields.

Global food shortages also should prompt reconsideration of the protectionist world agricultural trade system and the harmful farm subsidies of Europe and the United States. Even as we increase yields, we must scale back agriculture subsidies and trade barriers that raise prices and undercut many farmers in the developing world. These policies are distorting agricultural trade and decision-making on a global scale and preventing many potentially productive farmers in the developing world from accessing markets. In most cases, agricultural subsidies and trade barriers have no rational basis other than the protection of politically powerful constituencies.

The United States should seek commitments to double the percentage of agricultural assistance and to remove export barriers and import tariffs. We should also enhance our leadership on agriculture research by maintaining support for a U.S. created network of global research centers.

Some critics have singled out corn ethanol as the primary culprit in the food crisis. They have called on Congress to scale back, or even halt, corn ethanol production. In effect, they ask us to choose between feeding the hungry or producing biofuels. But increased demand for corn-based biofuels is just one of numerous factors that have contributed to higher food prices. Compared to last year's 146 percent price increase for wheat and 70 percent increase for rice – neither of which is used for biofuels -- the 46 percent increase in corn was relatively modest.

While we should understand the impact of biofuels on food supplies, we must not lose sight of why our government is attempting to stimulate biofuel use. Chairman Biden and I have held at least a dozen hearings in the last few years that have highlighted the extreme national security and environmental risks of our dependence on imported oil. The United States deliberately undertook a program to develop biofuels because it is one of the best immediate responses to our acute energy vulnerability and to the problem of climate change. Cutting ethanol production now would leave us even more vulnerable to the political whims of governments that control 80 percent of world oil reserves. The enrichment of these governments obstructs many of our major foreign policy objectives, including our efforts to end the genocide in Darfur, stop Iran's nuclear program, combat terrorism, and bring peace to the Middle East. Rather than cutting production of ethanol, we should replace the current ethanol subsidy system with an oil-price floor that will provide assurances to long-term investors in all renewables. And we should eliminate the import tariff on ethanol to admit supplies from Brazil made from sugarcane.

If corn biofuel production is curtailed, we will see additional pressure on global oil prices and a withering of the nascent biofuel distribution infrastructure. This infrastructure is essential if we are to hasten the commercialization of cellulosic technology, which promises abundant ethanol from non-food sources like switchgrass and forest wastes. Cellulosic technology has the potential to far outrun corn in the volume of ethanol produced, and it can do so at a lower cost. Wide commercialization of cellulosic ethanol would radically improve the energy outlook for rural areas all over the world.

We should remember that the world's poor are suffering not just from high food prices, but also from the staggering effects of \$120-per-barrel oil. Developing countries are more dependent on imported oil, their industries are more energy intensive, and they use energy less efficiently. Fertilizer and fuel for agriculture machinery are dramatically more expensive. Without a diversification of energy supplies that emphasizes environmentally friendly options, the national incomes of energy poor nations will remain depressed, with negative consequences for stability, development, disease eradication, and nutrition.

I appreciate the opportunity to engage our witnesses on these topics and I look forward to our discussion.