ACTIONAID USA STATEMENT ON THE RENEWABLE FUEL STANDARD
DELIVERED BY KRISTIN SUNDELL

Contact Kristin Sundell at (202) 247-8971 (mobile) or Kristin.sundell@actionaid.org

The Renewable Fuel Standard puts a strain on land and food supplies, contributing to hunger and political instability across the world. People in developing countries are still feeling the sting of high food prices after last summer's drought devastated US corn crops. The impacts of the drought were magnified by the diversion of more than 40% of US corn to ethanol production in order to meet Renewable Fuel Standard mandates.

There is no doubt that the diversion of what amounts to 15% of world corn supply into our fuel has put significant upward pressure on food prices. These high prices are particularly painful for developing countries that are net corn importers. A recent study published by researchers at Tufts University's Global Development and Environment Institute estimates that US ethanol expansion over the past 6 years has cost net corn importing countries over 11 billion dollars in higher corn prices with more than half that cost borne by developing countries.

I saw the impact of biofuels on food security firsthand on a recent trip to Guatemala. From the tortillerias of Guatemala City, to tiny farming communities I visited on the south coast, to the community meetings I attended in the north, I heard over and over from people who felt squeezed by the rising price of food and shrinking access to land. The impact of US corn ethanol expansion in Guatemala is particularly striking. Guatemala, which used to produce over 90% of its own corn, now imports roughly 40% from outside the country. This was fine when global corn prices were low, but it is a huge problem now that prices have risen dramatically. Demand for corn is rising, but local corn production has stagnated and many Guatemalan farmers who used to grow corn have sold or leased their land to sugar and palm plantations that are expanding in response to the international biofuels market. The rising cost of US corn imports is no small thing in a country where roughly half the population falls below the poverty line and half of all children under the age of 5 suffer from chronic malnutrition.

Although the white corn that people eat in countries like Guatemala differs from the yellow corn used to produce US ethanol, the markets for both are closely related because white corn is often substituted for yellow in feed and other industrial uses when yellow corn prices spike. As a result, food prices, particularly the price of basic staples like tortillas and eggs have increased dramatically.

The same Tufts study cited earlier puts the additional import costs for Guatemala over the past 6 years due to US corn ethanol policy at $91 million, $28 million of which accrued in the trade year that ended in September 2011. This $28 million loss is roughly equivalent to the US investment in food aid to Guatemala or 6 times US agricultural development aid to Guatemala in 2011. In other words, by leaving the corn ethanol mandate in place the US government is effectively canceling out the value of US food and agricultural assistance to many developing countries and undermining US aid goals.

The food price impacts of US ethanol policies also have serious national security implications for the United States, especially given the role of rising food prices in fueling recent social unrest in North Africa. The connection between rising food prices and political instability has been well documented. Ethanol-related import costs in Egypt, Algeria, Morocco, Tunisia, and Libya totaled $1.4 billion over the six year period ending in September 2011, spiking at precisely the time when unrest became widespread. This finding highlights the potential contribution of ethanol-related price increases to political instability around the world.

Countries in sub-Saharan Africa are often especially hard hit by global food price spikes since most countries in the region are net food importers and cannot afford to protect their populations from the impact of high global prices on local markets. Many countries in Africa produce corn, and might be thought to benefit from rising prices, but this is not the case. Although Uganda is a net corn exporter, for example, this did not alleviate the impact of high corn prices on the majority of the Ugandan people. While higher prices meant that Uganda saw a net gain in its trade balance, the majority of its people are still net buyers of corn. Ugandan consumers were hurt by price spikes in local markets, despite the positive overall impact on Uganda's economy.

No matter how you look at it, mandates requiring that large amounts of land and food crops be used to produce fuel are not good for global food security or political stability. We were fortunate to come through last summer's drought without major disruptions to global food systems. But the drought has not ended across much of the US farm belt. Now that our ethanol reserves have been depleted, the impact of a continuing drought combined with an inflexible ethanol mandate would be devastating. Congress can't control the weather, but they can control misguided energy policies that could cause a global food crisis.

Based on our experience working with people living in poverty in over 45 countries around the world, ActionAid believes that a comprehensive, long-term approach is needed to prevent US energy polices, like the Renewable Fuel Standard, from fueling global food insecurity. We will continue to raise these issues with Congress and the Administration until we see a better balance between US food and energy policies.