



# BACKGROUND

*Published by the Truman National Security Project*

## Food Fights and Rising Prices: Renewing Our Fuel Standards and Our National Security

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11 June 2008

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**E**nergy independence is essential for our national security, but recent food riots have shaken many peoples' belief in biofuels. As unrest spreads and grocery prices grow, conservatives are starting to exploit this uncertainty by mounting a rollback campaign against renewable energy. They are pushing Congress to amend the recently passed Renewable Fuel Standards provision, which promotes alternative energy, while endorsing expanded oil drilling in the Alaska National Wildlife Refuge. This would be a grave mistake. Not only is ending our oil addiction crucial to our national security, but our oil dependence is a key *cause* of skyrocketing food prices. Continuing our reliance on oil will only heighten the price spike.

While biofuels such as corn-based ethanol are not the ultimate solution, the biofuel critique emanating from the Right could easily become a Trojan horse for gutting alternative energy programs. Instead of embarking down this foolhardy path, Americans deserve to know the whole story before deciding how to tackle the problem of increased food prices.

### Causes of Skyrocketing Food Prices

1) *The Cost of Oil.* It is no accident that food prices and oil prices have skyrocketed at the same time. Oil is present at every step of the way in food production, from fueling tractors and processing grain, to packaging and shipping final products.<sup>1</sup> Numerous studies have shown that oil prices have a far greater

### REASONS FOR RISING FOOD PRICES

#### Cause #1: **Cost of Oil**

*Increases cost of shipping, packing and processing food*

#### Cause #2: **Drought**

*Australia's rice crop down 98%*

#### Cause #3: **Trade Restrictions**

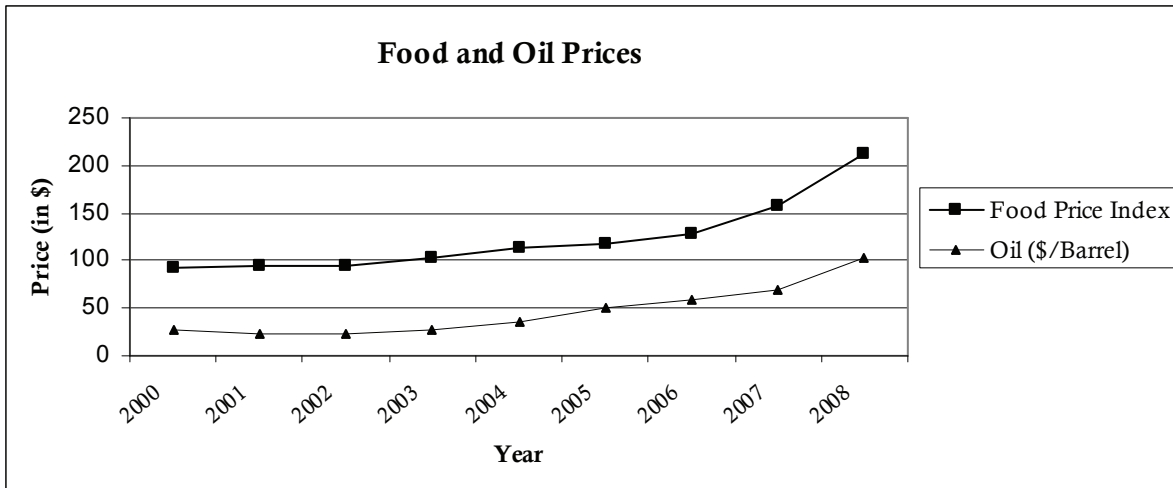
*Export bans in Russia and China*

#### Cause #4: **Increased Demand**

*China and India eating more*

impact on the final retail price of food than the cost of the grain itself.<sup>2</sup> In some parts of the world, shipping costs alone have nearly doubled due to the increase in energy prices.<sup>3</sup> Since food and oil prices are rising in tandem, reducing our dependence on oil is crucial to easing the burden of food costs. That is why any attempt to rollback alternative energy programs should be strongly resisted.

2) *Drought.* The tough break of bad weather in major grain-producing countries is another immediate cause of higher food prices. In the last two years, grain exports from Canada and Australia plummeted by a fifth due to major droughts, leading to a substantial decrease in the world's grain supply.<sup>4</sup> Australia alone, which typically produces 25 million tons of grain for export per year, managed a paltry 9.8 million tons



in 2006.<sup>5</sup> The long drought has also cut Australia's rice crop by 98%.<sup>6</sup> Fortunately, bad weather is not forever. Droughts will abate and grain-producers will recover. Yet nature is not the only actor keeping grains off the market.

*3) Trade Restrictions.* More than half a dozen major grain-producing nations – including powerhouses such as Russia, China and India – have implemented export bans and trade restrictions in order to keep down domestic food prices.<sup>7</sup> Speaking at the Rome Summit on World Food Security, UN Secretary General Ban Ki-moon reminded his audience that such policies distort markets and force prices even higher. As a man-made phenomenon, it is within our power to reduce trade restrictions and increase the international flow of food. At the same time, we must also turn our attention to another product of human activity: the growing demand for high-calorie foods.

*4) Increased Demand.* The underlying long-term cause of the rising tide of food prices is increased demand from developing countries, especially China and India.<sup>8</sup> In a sense, this is an American accomplishment. The liberal economic order set up by the United States and its allies after World War II has now helped scores of countries pull themselves out of poverty. As living standards rise, people consume more calorie-rich food, which puts pressure on prices. Reducing poverty is a moral good. We should be proud of our contribution to eradicating hunger around the world and we want the poor to start eating better. Since the gradual increase in demand is likely to continue, the only solution is to control what is in our power, which means fighting trade restrictions and reducing our dependence on oil.

### The Disputed Cause: Biofuels

Critics are blaming biofuels for the rising cost of food. The possibility that biofuel programs are affecting food prices, by diverting food to fuel production, is real. However, renewable fuel also works in the opposite direction. Analysts have argued that the price of oil would be nearly \$13 more expensive per barrel without biofuel programs.<sup>9</sup> And since oil is certainly causing the rising food prices, the overall impact of biofuels is unclear.

Last December, Congress passed the Energy Independence and Security Act of 2007, which included a Renewable Fuel Standards (RFS) provision to incentivize biofuel production. The purpose of the RFS is to reduce our reliance on fossil fuels by boosting our use of biofuels. Certainly, some biofuels are more promising than others, and we want to move to more efficient solutions, such as cellulosic biofuels, as quickly as possible. However, there has not even been enough time for a single growing season in which to evaluate the RFS' impact. It would be foolish and counterproductive to halt a promising new program that attacks one of the clearest causes of high food prices: high oil prices.

Congressional biofuel critics should be taken with a grain of salt for another reason: they tend to receive large campaign donations from oil companies. Presidential hopeful John McCain falls squarely in this category. During the last two years he has received at least \$492,076 from the oil and gas industry.<sup>10</sup> Unsurprisingly, he and fellow conservatives have been critical of biofuels, fuel standards and tax incentives for renewable energy. He has voted to drill for oil in Alaska and he's been an enthusiastic defender of tax breaks for petroleum companies. Since

oil companies have been raking in record profits and drilling in Alaska would barely make a dent in our supply needs,<sup>11</sup> these positions make a person wonder what Senator McCain's priorities really are. It gives one the impression that regardless of his rhetoric, he has no intention to reducing America's dependence on oil.

### The National Security Imperative

Political leaders who don't prioritize the need to move away from oil aren't just weak on protecting the environment – they are weak on protecting America. It's a simple fact: a friend of Big Oil is no friend of national security. The money we spend on gasoline finds its way into the hands of dictators and terrorists alike, creating a sovereign wealth fund for Russia and enriching Iran. The military has to create contingency plans to handle the political and humanitarian disasters that could result from increased global warming. Our reliance on oil also gives our enemies a weapon to point straight at our heart, as Osama bin Laden instructs his followers to attack oil facilities worldwide to further reduce the oil supplies that our military, government, economy and citizens depend on.

Now there is another way our reliance on oil menaces our national security: food riots. Millions of hungry people around the world have responded to the increased cost of food – caused largely by the increased cost of oil – by taking to the streets. This threatens governments and hints at a future of failed states where terrorists and criminals can take refuge. Since food riots have already broken out in volatile Middle Eastern countries such as Egypt and Yemen, this is no small concern. The recent rise in food prices and outbreaks of violence are merely reminders of the danger of remaining addicted to oil.

In light of all these challenges, now is hardly the time to begin rolling back our already-too-small efforts to develop clean energy and free us from the perils and pitfalls of oil. To keep America safe and secure, we cannot continue buying the oil that fuels terror, tyrants and food riots. In order to stave off this situation, progressives must resist the push to roll back the RFS before it has even begun. Instead, we must act where the potential for success is greatest: the reduction of trade restrictions and the development of oil-free alternative energy.

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Data for Graph: Food and Agriculture Organization of the United Nations; Energy Information Administration (United States Government).

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Published by:

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