

Testimony of Tim Recker
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My name is Tim Recker. I am a corn grower from Arlington, Iowa, and President of the Iowa Corn Growers Association. I am speaking today on behalf of the Iowa Corn Growers Association, the Nebraska Corn Growers Association, the Nebraska Corn Board and the National Corn Growers Association, which represent more than 59,000 corn growers nationwide, many of whom are also livestock producers.

We welcome this hearing and your leadership in confronting the repeated misinformation in the media regarding ethanol. America's corn growers will continue to provide the food, feed, and fuel our country needs.

For decades, corn growers have contributed time, effort, and precious dollars to promote and diversify the uses of corn. Over 30 years ago, corn growers recognized ethanol's potential for producers and American consumers. Through our corn checkoffs, we have spent millions on ethanol research, education, and market development. Through our grower associations, we have spent endless hours promoting policies that would give ethanol a chance – because if given a chance, we knew ethanol would succeed.

Today, our agricultural economy and our nation's consumers are benefiting from our hard work. We've left behind the government support payments that idled acres to reduce production, and we've ended government ownership of huge surplus grain stocks. Our corn farmers are producing for the marketplace and the market is working. We have come a long way from a 4 billion bushel corn carry-over in the mid-1980's, when we depended on government programs but still saw an exodus of farmers and a wave of rural bank closings.

Today's atmosphere of uncertainty and change, while challenging, is much better for farmers. The world is hungry for both protein and petroleum, and the American corn grower can help satisfy both in the form of energy from ethanol and protein from corn-fed red meat and poultry.

Across rural America, an industry is still in development to turn our corn into ethanol. In the process, it is creating jobs that give our young people a chance to come back to their home communities. It is improving the tax base that supports our local schools and government services. It is pumping renewed economic life into the Main Streets and prompting new local businesses.

Across rural America, corn growers are benefiting the environment by growing more corn with less erosion while at the same time reducing fertilizer and pesticide

applications. While benefiting the environment in these ways, we continue to deliver the most abundant, safest, and cheapest food supply in the world.

And what about consumers? In this time of high oil prices, when families are foregoing vacations and worrying about winter heating costs because the dollar just doesn't stretch, ethanol is helping to reduce the pressure on family budgets.

This issue is basic supply-and-demand economics – when the supply of a product is too tight, prices go up, and when supplies increase, prices come down, or won't go as high.

Using ethanol increases our overall energy supply. Using ethanol in the standard E10 blend means that for every ten gallons of gasoline, we have 11 gallons of fuel at the pump. Use E85 in a flexfuel vehicle and for every three gallons of gasoline, we have 20 gallons of fuel at the pump.

I've provided citations for economic analyses that demonstrate what I'm saying. I'll just summarize by pointing out that Midwestern consumers are saving about 45 cents on every gallon of fuel they buy because we have ethanol in the marketplace.

It's no wonder that Congress, in its wisdom and with leadership from Senators like yourself, passed the Renewable Fuels Standard. The RFS is good policy for U.S. consumers, just as it is good policy for corn growers.

Not surprisingly, there are those who want to roll back the RFS and other key ethanol policies such as the blenders credit and the ethanol import tariff. Some believe the misinformation about our food supply, and some buy into the misinformation about how the price of corn or ethanol policies are affecting consumer food and livestock prices. Today, I would like to set the record straight:

Corn supplies and cost:

Despite the alarmist projections of the past spring and winter, USDA's August 12 production report shows the U.S. nearing the second-largest corn crop in history in the face of this year's extreme weather. The same day, the World Agricultural Supply and Demand Estimates projected greater carryover stocks at both the national and international level. Though ethanol's opponents raised alarms about the possibility of \$8 corn as recently as August 12, the average farm gate price for the current market year is now estimated at \$4.25 per bushel and the average for 2008/09 is projected at \$4.90 to \$5.90.

The U.S. corn industry is making good on its commitment to supply adequate corn for food, feed, and fuel use. We continue to sustain higher yields – in fact, the rate of yield increases is on an upward trend, reflecting not only better seed technology, but ongoing improvements in production. Fifty years ago, we produced 66 bushels per acre in Iowa. This year, under weather challenges, we will still produce 171 bushels, and seed

genetics experts tell us 300 bushels per acre is a realistic target within the foreseeable future.

Corn Prices and the Livestock Industry:

There's no question that livestock feeders have struggled to manage this year's spike in corn prices. In many cases, our corn growers are also livestock producers. Corn growers support all of agriculture, and we want all segments of agriculture to be profitable. But we believe targeting ethanol is not the solution.

First, many factors have produced this year's corn price spike, and taken together, they are far more significant than corn use for ethanol. One of the biggest factors is the growth in world demand for livestock feed as millions more people in developing economies improve their diets with more meat, milk, and poultry products. That has coincided with tighter supplies of other feed grains, including most notably feed wheat and feed barley from Australia and Europe.

At the same time, a weak U.S. dollar has offset some of the run-up in U.S. corn prices, so that foreign customers continue bidding up corn to prices.

Changing U.S. ethanol policy isn't going to solve the international demand for more feed grains, but it could have an unintended consequence that would damage U.S. livestock producers, especially those who use distillers grain as a feed ingredient.

An effort to reduce corn use for ethanol would reduce the supply of distillers grains – a valuable feed coproduct of the ethanol process. It's important to remember that from the 3 billion bushels of U.S. corn going into ethanol this year, about 30% of the volume will still end up as livestock feed – and for livestock operations located near an ethanol facility, distillers grains has been and will continue to be a valuable feed alternative that can help manage feed costs.

Corn growers support the U.S. livestock industry. We work together with livestock producers on many policy issues. We've spent our checkoff dollars on research to improve feed products like distillers grains, and we've spent even more to help develop export markets for beef, pork, and lamb. For example, we're trying to help recover meat export markets like Japan and Korea, where the U.S. cattle industry is down \$50 million a week in lost sales. One way we want to help the livestock industry is by solving export problems like these.

Corn Prices and the Consumer:

Ethanol opponents have tried to paint corn prices as the culprit in consumer food prices – but that's just not true. Multiple economic studies have confirmed that other input costs – most notably high oil prices – are the dominant factor in food price increases. In fact, the money consumers save on fuel costs because of ethanol offsets any corn-related increase in food prices by up to \$1,500 in the average family budget.

When people realize how little corn goes into their food, they better understand how little corn influences food prices. The share of the food dollar that goes to farmers – all farmers, not just the corn farmer – has been decreasing for decades and is now just under 20 cents.

If you calculate corn's contribution to some specific food items, you learn that when corn costs \$4 per bushel, the corn to produce a gallon of milk costs just 13 cents at the farm gate. Only 18 cents worth of corn gets you a quarter-pound hamburger, 28 cents produces a dozen eggs, and 31 cents goes into the one-pound Iowa pork chop we're so proud of. In fact, a bowl of corn flakes and milk for breakfast has less than two cents worth of corn.

To summarize – we're growing corn that our nation and the world needs. We're supplying enough for food, feed, and fuel. U.S. and world consumers are better off because we are profitable – and there is no rational excuse for the attacks on the RFS, the ethanol tariff, or the blenders credit. On behalf of 59,000 corn growers, we urge you to do all you can to retain these key ethanol policies.

Economic Studies:

“Ethanol and Food Prices: Preliminary Assessment,” Richard K. Perrin, University of Nebraska, April, 2008.

“The Effects of Ethanol on Texas Food and Feed,” Agricultural & Food Policy Center, Texas A&M University, April 10, 2008

“Global Agricultural Supply and Demand: Factors Contributing to the Recent Increase in Food Commodity Prices,” Ronald Trostle, USDA/ERS, May, 2008

“High Agricultural Commodity Prices: What Are the Issues?” CRS Report for Congress, Randy Schnepf, May 6, 2008.

“USDA Officials Briefing with Reporters on the Case for Food and Fuel USA,” May 19, 2008, Washington, DC.

“The Impact of Ethanol Production on U.S. and Regional Gasoline Prices and on the Profitability of the U.S. Oil Refinery Industry,” Xiaodong Du and Dermot J. Hayes, Iowa State University