

# United States Senate

WASHINGTON, DC 20510

May 6, 2008

The Honorable Stephen Johnson  
Administrator  
Environmental Protection Agency  
1200 Pennsylvania Avenue, NW  
Washington, DC 20460

Dear Administrator Johnson:

We're writing to express our strong opposition to any request to partially or completely waive the Renewable Fuels Standard. We strongly disagree with the assumption that the renewable fuels mandate is harming the U.S. economy or that it's primarily responsible for the global escalation of food costs.

We recognize that global food prices have seen a significant increase in recent years. However, waiving the RFS would not cause an immediate or near term reduction in food prices. Ed Lazear, Chairman of the Council of Economic Advisors, recently estimated that global food prices have increased 43 percent since last year, and domestic food inflation was 4.5 percent. Importantly, Chairman Lazear noted that the increased production of ethanol accounted for only 3 percent of the 43 percent global increase and only a quarter of one percent of the 4.5 percent increase in U.S. food prices. This data is evidence that ethanol accounts for less than 3 percent of the increase in global food prices.

There are many factors behind the rise in food costs. The increased demand in emerging markets, increased cost of energy inputs, weather conditions in Australia, China and Eastern Europe, and export restrictions have all contributed to the rising costs, according to Chairman Lazear.

Corn production and consumption in the United States has very little or no impact at all on global rice, wheat or lentil markets. Joseph Glauber, Chief Economist at the U.S. Department of Agriculture, recently testified before Congress that rising prices for corn and soybeans have had little effect on the high prices for wheat, rice and other food commodities. He indicated that many factors have a greater role than biofuels, including worldwide economic growth, global weather problems affecting wheat production, rising marketing costs, and the weak U.S. dollar.

While we're all sympathetic to those struggling to cope with the higher cost of food both domestically and internationally, we must be intellectually honest about the real causes behind the increases. Waiving the renewable fuels mandate will have a negligible impact on corn and food prices. A recent Texas A&M study concluded that relaxing the Renewable Fuels Standard will not result in significantly lower corn prices.

At a time when a barrel of crude oil costs nearly \$120 and gasoline prices are approaching \$4 a gallon, the fuel produced by the U.S. ethanol industry is helping to extend our fuel supply and keep prices lower. A Merrill Lynch analyst recently estimated that oil and gas prices would be 15 percent higher if biofuels weren't added to our nation's fuel supply. According to Iowa State University's Center for Agriculture and Rural Development, ethanol use has lowered gas prices by 30 to 40 cents a gallon, while relaxing the mandate would reduce corn prices by only 5 percent. The fact is, reducing the amount of ethanol in our nation's fuel mix will have little if any impact on food prices and will actually increase prices at the pump for American's consumers.

As world demand for biofuels and food increases in the coming years, we will need to continue to develop technologies and feedstocks that meet that demand in a sustainable manner. We strongly support efforts to develop alternative feedstocks and technologies that can satisfy this global demand in a way that addresses the goals of energy security and food security.

The U.S. renewable fuels industry has made tremendous strides to produce a home-grown, alternative energy that is improving our environment, reducing our dependence on foreign oil and increasing our national security. America's farmers are continuing to provide an ample supply of safe, affordable food for the U.S. and global markets. Therefore, we strongly urge you to reject any action that would reduce the production and use of domestically produced renewable fuels.

Sincerely,

  
Charles E. Grassley  
United States Senator

  
Tim Johnson  
United States Senator

  
  


  
  


Dick Lugar

Ken Salazar

Kent Conrad

Jon Tester

Clare McCaskill

Tom Harkin

Allyson Sotero

Erin Boyle