

Floor Statement of Senator Chuck Grassley (R-IA)

May 20, 2015

Reading through the pages of *The Wall Street Journal* last week, I was overcome with a sense of déjà vu.

As many of my colleagues have heard me speak on the Senate floor many times each year over the last several years about ethanol and about misconceptions about that, these misconceptions showed up in an op-ed piece in *The Wall Street Journal* last week.

So once again, in this case it happens to be chain restaurants and chicken producers are teaming up to smear homegrown biofuel producers at the expense of energy independence and cleaner air.

It seems like every couple of years food producers and grocery manufacturers team up with big oil to try to undermine the extremely successful Renewable Fuel Standard.

A little history for you all.

In 2008, it was big food -- the big food producers led by the Grocery Manufacturers Association because presumably in our economy and our society, grocery manufacturers have more prestige than big oil.

In 2010 and 2012, it was the global integrated meat producers led by Smithfield Foods and the American Meat Institute.

Presumably they have more prestige than big oil.

The opinion piece that I'm referring to in *The Wall Street Journal* this time was written by the head of the National Chicken Council and the National Council of Chain Restaurants.

And under these circumstances, compared to the other two instances I gave you, it's really no different.

They have prestige that big oil doesn't have.

So this article makes many of the same erroneous and intellectually dishonest claims that we've heard dozens of times before.

I'm going to take this opportunity, then, to do a simple fact check of some of the most egregious claims.

First, these two authors claim that since 2005, when the Renewable Fuel Standard was first adopted, costs of vital food moves, including corn -- commodities, including corn, oil seeds, poultry, eggs and dairy, have risen dramatically.

Pure myth.

The fact is, consumer food prices have increased by an annual rate of 2.68% since 2005.

Now, in contrast, food prices increased by an average of 3.47% in the 25 years leading up to passage of the Renewable Fuel Standard in 2005.

Prices for chicken breasts have been nearly flat over the past seven years, averaging \$3.43 per pound in 2007, and just three pennies more to \$3.46 per pound in you 2014.

Corn prices are expected to average \$3.50 per bushel this year according to the department of agriculture.

This would be the lowest price in nearly ten years and 17% below the average price of \$4.20 a bushel in 2007 when the Renewable Fuel Standard was enacted.

Now, that's a fact.

With ethanol production at record levels today, corn prices are lower now than they were in 2007 but I don't know how many times over the last several years I've listened to this business about ethanol causing corn prices to go up and food prices would go up and food prices went up, but when corn is \$3.50, you don't see food prices come down.

It's been proven time and again by the EPA, by the USDA and others.

There is no correlation between corn prices or ethanol production and retail food inflation or food prices.

Once again, just a simple fact.

Second, these authors claim that as a result of the Renewable Fuel Standard, corn is being --quote, unquote -- diverted from livestock feed to ethanol.

Again, this claim is pure falsehood.

Corn used for ethanol has come from the significant increase in corn production since 2005.

In 2005, American farmers produced 11.1 billion bushels of corn.

In 2014, they produced 14.1 billion bushels of corn.

Do you know why?

Because the market responds and the farmers respond to the increased use of corn, and they will meet it, whether it's for biofuels or anything else.

Now, here's something very significant.

One-third of the corn used for ethanol production is returned to the market as animal feed.

The amount of corn and corn coproducts available for feed use is larger today than any time in history.

So it's hardly being diverted, but time after time a prestigious newspaper like *The Wall Street Journal* continues to tell the people of this country that 40% of corn production goes to make ethanol. They are right.

40% goes to the ethanol plant.

But out of a 56-bushel -- pound bushel of corn, 18 pounds is left over for animal feed and very efficient animal feed, let me say.

Badly in need.

And welcomed by farmers.

In fact, some of it is even exported.

But does *The Wall Street Journal* ever make that clear, that it isn't 40% of corn that's used for ethanol, it's 26% or 27% that's used for ethanol.

Now, just as I said that this is -- so corn is not being diverted, the same can be said for their misleading claim that ethanol production has contributed to global food scarcity.

In the 15 years prior to the enactment of the Renewable Fuels Standard in 2005, US corn exports averaged 1.8 billion bushels per year.

In the ten years since Renewable Fuels Standard passage, corn exports have averaged yet more.

Not a whole lot more but 1.84 billion bushels.

So with 14.3 billion gallons of corn ethanol, corn exports are slightly higher than they were prior to the Renewable Fuel Standard, another fact check.

The authors of the opinion piece also claim that corn ethanol has resulted in a significant increase in the volatility of food costs, which has left prices higher, they say.

So I looked into the average food inflation going back to 1970.

During the 1970's, food inflation averaged 7.8%.

In the 1980's, it was 4.6%.

In the 1990's, it was 2.8%.

In the 2000's, it was 2.9%.

So far this decade, it's been 2.2%, or the lowest rate of increase at the same time that were -- that we're producing record amounts of corn ethanol.

Finally, these two writers for the chain restaurants and for the chicken people claim the increases in feed costs have affected the American production of beef, pork and chicken.

They state that production had increased consistently over the past 30 years but has now leveled off due to the higher cost of feed.

Again, this is nowhere near reality, so again, let's check the facts.

The reality is that the Department of Agriculture is projecting red meat and poultry production of 95.2 billion pounds this year, up 10% from 2005.

More growth is yet expected.

Department of tour's -- torture's projected production of red meat in 2014 with 96.8 billion pounds, up 14% from 2005.

Now, just a few years ago when corn prices had peaked at more than \$7.50 a bushel, grocers, food producers and restaurants were claiming, as I said once before but let me emphasize, that food inflation would approach 10% because of the renewable fuel standard.

They warned then that they would be forced to pass those higher costs on to consumers immediately.

Well, as indicated before, today the price of corn is \$3.50, half -- less than half of what it was.

In fact, one dollar below the cost of production.

Well, with lower corn prices, have consumers been -- have consumers seen a dramatic reduction in retail food prices?

In other words, are the benefits of lower grain prices being passed on to the consumer by big food?

Obviously not.

Ask any person shopping in the grocery stores.

Corn prices have come down by more than half in the past two and a half years, so why are food producers holding prices steady or even increasing them?

We accuse big oil of gouging.

Isn't it about time with \$3.50 corn that we accuse big food of price gouging?

The fact is domestic renewable fuel producers are feeding and fueling the world at the same time.

The 14.3 billion gallons of ethanol that was produced in the United States could more than displace the gasoline refined from all of the oil imported from Saudi Arabia.

And where would you rather get your energy from?

The volatile parts of the Middle East or from producers right here in the United States?

And I say that not only for ethanol, I say that for oil, I say that for coal, I say that for nuclear and I say that for all sorts of alternative energy.

We should be proud of our nation's farmers and biofuel producers.

Efficiency gains have allowed farmers to produce ever-increasing yields with greater environmental stewardship, including using less water and less fertilizer.

Ethanol production has also seen efficiency gains.

These are facts.

In 1982, one bushel of corn produced about 2-b .5 gallons of ethanol.

Today's ethanol plants are producing more than 2-7b .8 billion gallons of ethanol.

We have got a plant in Ida county, Iowa, that can get you almost to three gallons of ethanol from one bushel of corn.

According to the US Energy Administration, if ethanol yields per bushel had remained at the 1997 levels, it would have required 343 million bushels or 7% more corn to produce the same amount of fuel this year -- or last year.

That corn would have required the US of 2.2 million additional acres or approximately half of the state of emergency, just to keep up when we had the inefficient production of ethanol.

Home-grown biofuels are extending our fuel supply and lowering prices at the pump for consumers.

Biofuels account for 10% of our transportation fuel today.

This economic activity supports American farmers, rural economies, keeps the money at home rather than sending it abroad.

In recent years, our national security and economic well-being has been too dependent on oil imports.

And where from?

Tinhorn dictators and regimes that are always trying to harm Americans.

We don't need to put a navy fleet in harm's way to protect shipping lanes from the Middle East for the biofuels that come right out of the Midwest of the United States.

Our country needs a true above -- true above -- let me start over again.

Our country needs a true all of the above energy policies that we all talk about, and biofuels are an important component of that policy.

Do you know what's really wrong with the people that talk about all of the above the way I see it sometimes by different segments of energy?

There's people that say they're for all of the above, but they're for none of the below the ground.

And then there is people that say they're for all of the above but they're for all below the ground but not the things that come from above the ground like solar energy producing corn that produces ethanol as an example or wind.

In 2005 and again in 2007, the federal government made a commitment to home-grown renewable energy when congress passed the renewable fuel standard.

The policy's working.

I intend to defend all attacks against this successful program whether they come from big oil, the EPA, big foods, big restaurants or others.

I want to ask unanimous consent to put this article from the *Des Moines Register* in the paper. And secondly, I tried to do some fact checking by a Mr. Brown and a Mr. Green that wrote that article, and I'm not very good at -- at saying exactly whether they ought to have one Pinocchio or four, but they ought to look at having a Pinocchio because they are wrong on so many instances.

I yield the floor.