

# Impacts of Ethanol on Utah Agriculture

Utah Department of Agriculture and Food

## *Issue:*

The policy of mandating that corn-based ethanol be used in our gasoline supply is plain foolishness. This policy of turning food into fuel has disrupted the marketplace and should not be acceptable. This diversion of our grain supply away from food production and toward ethanol production has created market forces that are leading us toward serious price increases in food.

## *Problem:*

Utah agriculture is 80% livestock. The industry includes cattle, sheep, turkeys, hogs, dairy, and egg laying chickens. All of these protein producers use corn in the production of their product. Corn and soybean meal represents 60+% of the feed costs for the turkey, hog and egg layer sectors. The current high prices due to the ethanol production, droughts, and weak dollar are creating serious problems for the livestock sector in Utah and the nation. The bulk of the problem is ethanol demand and the pressures continue to increase due the continued rise of oil prices. The impact of the current flooding event of the Midwest affected only 2% of the national corn/grain crops, yet it caused prices to jump by more than \$1.50 per bushel. Ethanol production is using from 20 to 25% of the corn crop. Ethanol is not the only factor in crop prices, but it is the major cause.

## *How this is affecting your constituents:*

Eighty percent of your agriculture producers are hurting and will hurt even more. The citizens of Utah will have additional budget problems as these high production costs reflected in the retail markets.

Turkey, chicken, pork, and beef are all priced substantially under the cost of production. Dairy is at break even and will be below cost with the recent increases in corn. The beef feeders have been losing money for two years and we expect that this fall they will not buy calves unless they are deeply discounted. The crop farmers of this nation may see record profits, but the livestock producers in this nation will record red ink. Major cuts are beginning to take place in production in order to force meat prices higher to cover costs. Until meat price increase substantially or corn prices decline or some combination of both, the future of Utah's livestock industry is headed for a train wreck.

It is nice to see higher crop prices and to have crop farmers making a good profit for a change, but current policy and market speculation is creating problems in the corn and other commodity crops. Producers would enjoy good profits with corn at \$5.00 per bushel (double past prices) rather than the \$7.00+ prices we are seeing today. We are also not sure how people will react when meat and milk prices double. We worry consumption patterns will cause additional problems. We are not sure how the young families in Utah can survive such large increases in the basics of energy and food.

The root cause of the price jumps we are witnessing is the price of oil. The steady rise of crude oil prices, driven in large part by speculators, indicates a problem in the market place.

## *What can you do about this issue:*

We think it is time consumers recognize that our **food is not a good source for fuel**, and suggest the elimination of the mandatory use of ethanol in our gasoline supply. We also suggest that the tariff on ethanol

produced in Brazil be eliminated and that the subsidy on US ethanol only be in place at a support level if oil prices decline under \$70 dollars a barrel. In addition, we know speculators are a part of the futures market but something needs to be done to stop the gross manipulation that is happening in both corn and oil markets.

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