

Biofuels not to blame for higher food prices

FO Licht's World Ethanol & Biofuels Report

Friday May 16 2008

Speakers at the F.O. Licht World Biofuels conference in Seville confirmed that biofuels are not a major contributor to rising food prices, and are in contrast boosting global agricultural production.

Plant-based biofuel production currently accounts for just 3% of world demand for grains. Josep Borrell, chairman of the European Parliament's Development Committee, said demand was too small to explain a jump in rice prices, estimated at 76% between December 2007 and April 2008 by the UN Food and Agriculture Organisation.

"The biofuels industry cannot be a scapegoat for such brutal price rises," Borrell said. He instead argued that high grain prices could actually make farming profitable for small producers in the developing world and halt migration to overcrowded cities.

Industry speakers said grain prices had risen due to a world-wide credit squeeze driving investment funds into commodities. "This is logically part of the market, but it is worth recalling that speculative positions in the Chicago maize market are today three times stocks for the end of the 2008/09 campaign, as forecast by the US Department of Agriculture," said Javier Salgado, chairman of Abengoa Bioenergy, one of Europe's leading biofuel makers.

Other speakers agreed that the industry had been the target of a hostile media campaign, including Bob Dinneen, president of the US Renewable Fuels Association. "The world has gone eye-popping mad," Dinneen said. "Big oil and big food have joined forces against us. What was once considered a way to cure our addiction to oil is now a crime against humanity."

Raffaello Garofalo, head of the European Biodiesel Board (EBB), said 85% of feedstocks for European biodiesel last year came from within Europe, and thus helped reduce the continent's dependence on imports of diesel. He added that Europe imported 30 mln tonnes of diesel from Russia last year, which could grow to 50 mln tonnes in a decade. "That is a huge amount. We had better hope (Russian Prime Minister) Mr Putin is in good health and that there are no social upheavals in Russia," Garofalo said.

Malcolm Shepherd, managing director of Biofuel Matters, said the main cause of food price increases in Europe had been falling stocks and two bad harvests, rather than biofuels. "There has been a mismatch between supply and demand. Demand has been rising year-on-year for cereals, but production has not kept pace and stocks have fallen, even before biofuels came on the scene." Soaring input and fertiliser costs, based on higher oil process had also played a significant part. He added that the improved forecast for wheat production may alleviate the European situation somewhat this year.

Stephane Delodder, managing partner of iFuel, confirmed that biofuels have a "marginal impact" on food prices, and that in fact the development of the biofuel industry had been complimentary to the animal feed sector, through the production of high-quality distillers dried grains.