

# What are the major factors driving up global food prices?



**“...Overall higher energy costs...”** - Texas A&M Study

## Higher Energy Costs Are Increasing the Price of Food

- Record prices for diesel fuel, gasoline, natural gas, and other forms of energy increase costs throughout the food production and marketing chain.
- Higher energy prices increase farmers' costs for diesel fuel, fertilizer, and chemicals.

**Higher food marketing, transportation, processing, and other costs contribute significantly to the increase in retail food prices. These costs represent 81¢ out of every \$1 spent at the supermarket.**

### Other causes of rising food prices

- Greater demand for meat and grains in China, India and other emerging markets
- Droughts in Australia and elsewhere that reduced supplies of wheat and other grain crops
- Increased commodity speculation
- Export restrictions and trade barriers in some countries
- Declining value of the dollar

## By Lowering Gasoline Prices, Ethanol Reduces Household Expenditures

Ethanol's contributions to increased food costs only amount to an average of \$6 to \$10 per household—96% of the food price rise has nothing to do with biofuels. Any marginal increase in spending on food resulting from increased biofuels production are being more than offset by savings at the gas pump. According to a June 2008 analysis led by Merrill Lynch Commodity Strategist Francisco Blanch, “retail gasoline prices would be \$21/bbl higher, [50 cents a gallon] on average, without the incremental biofuel supply.” This translates to a \$526 a year savings on gasoline for the average family.

**“A 10 percent gain in energy prices could contribute 5.2 percent to retail food prices.”**

- Federal Reserve Bank of Kansas City

**Biofuels are not the problem. They are part of the solution.**