

# Biofuels and Food Prices

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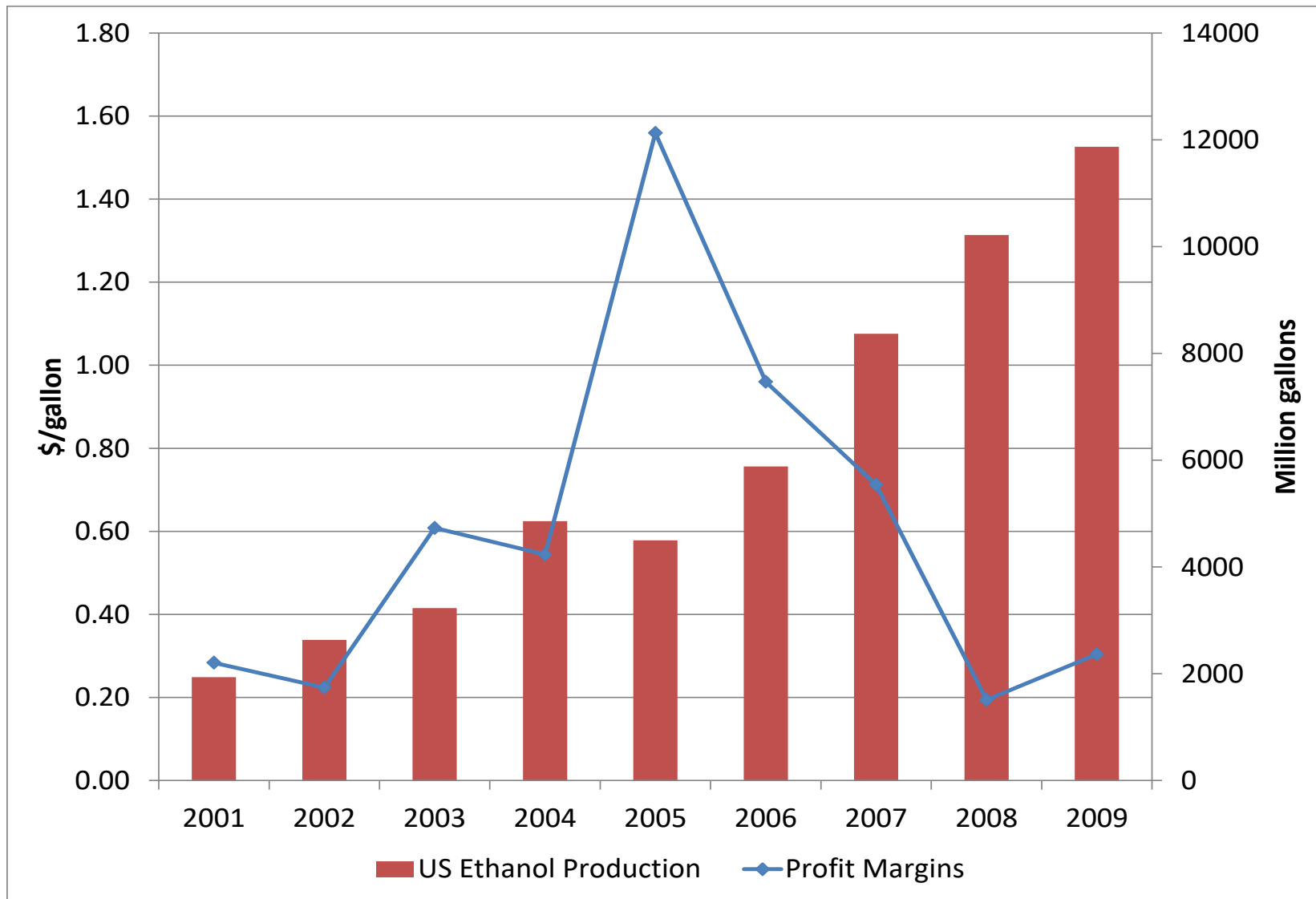
Iowa State University

USA

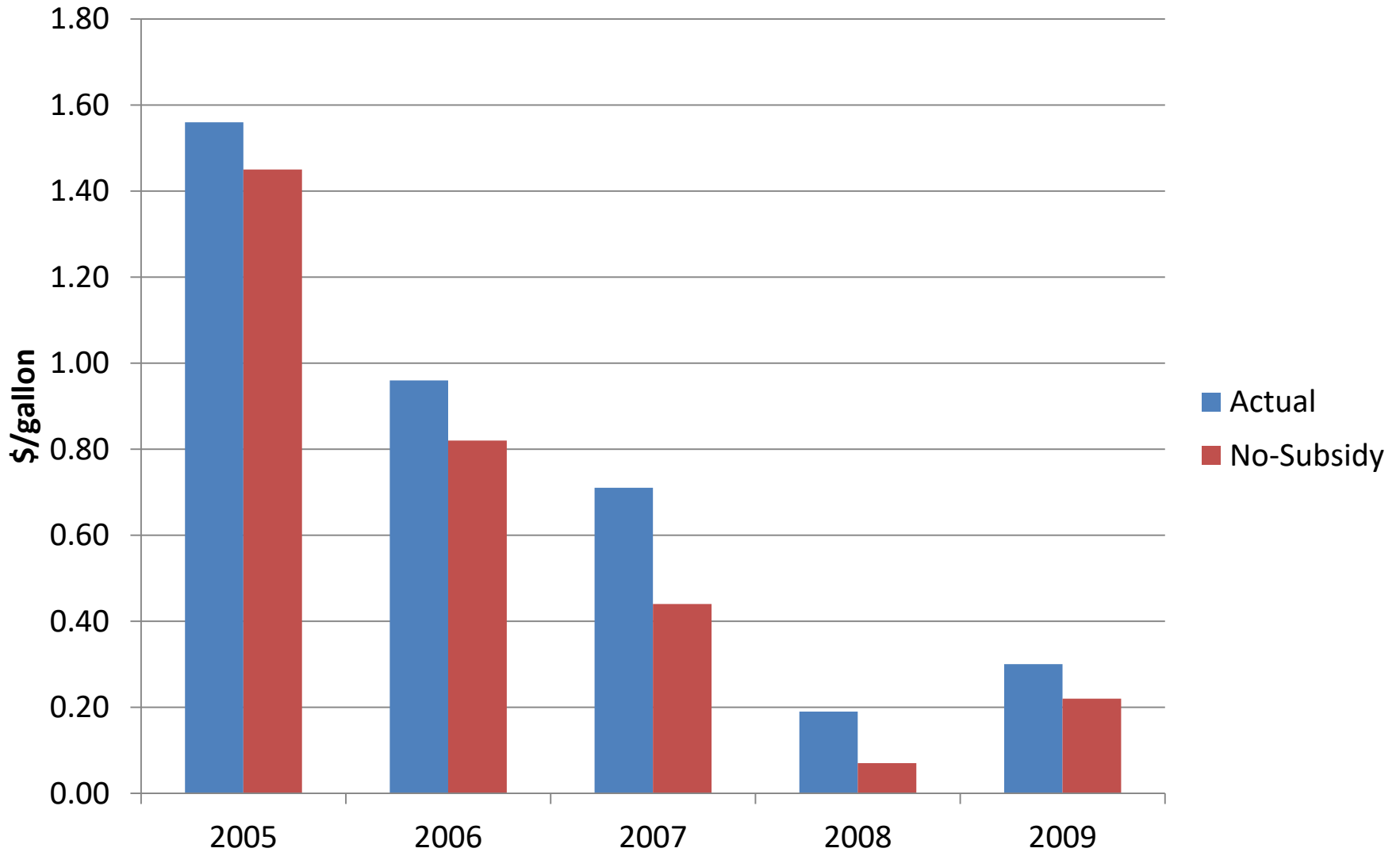
# Talk Overview: Review of Two Analyses

1. Look back in time and estimate what would have been crop and food prices if ethanol subsidies (price subsidy and mandate) and ethanol expansion had not occurred
2. Look forward in time to 2012 and ask what is the current impact of subsidies on maize and soybean prices
3. Use results to make policy recommendations

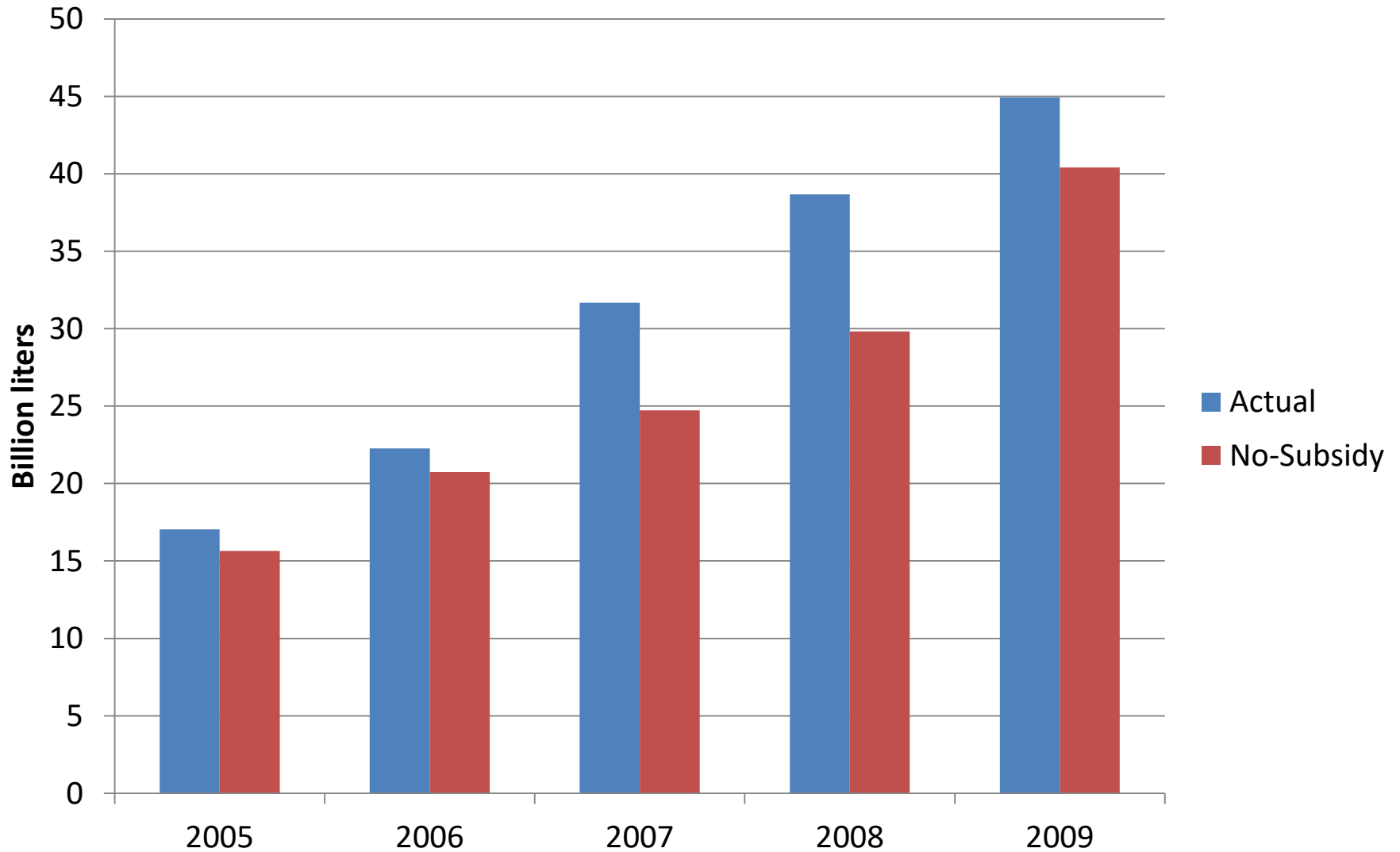
# Growth in US Ethanol Caused by Very Large Profit Margins



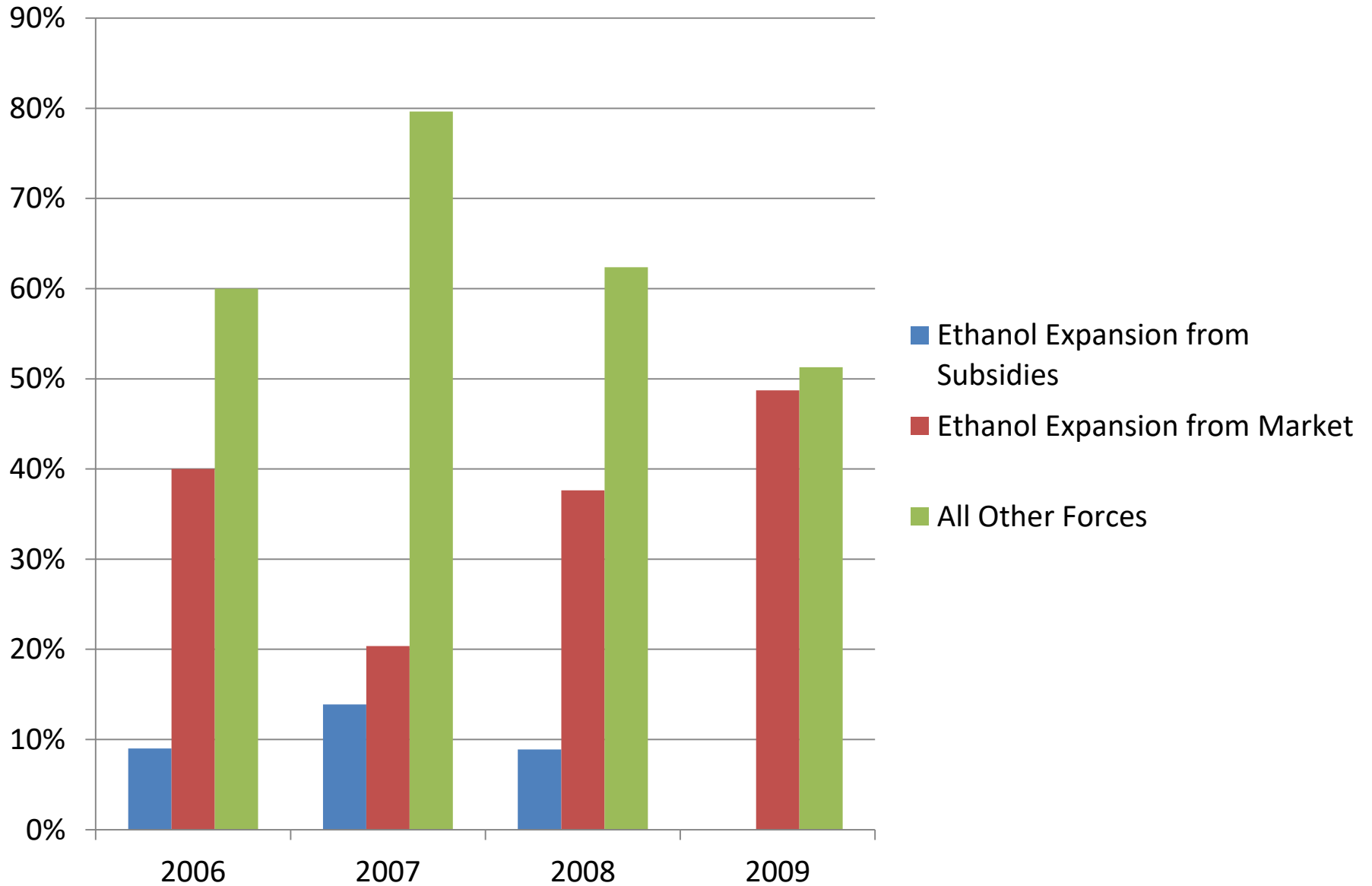
# US Subsidies Had Little Impact on Profit Margins



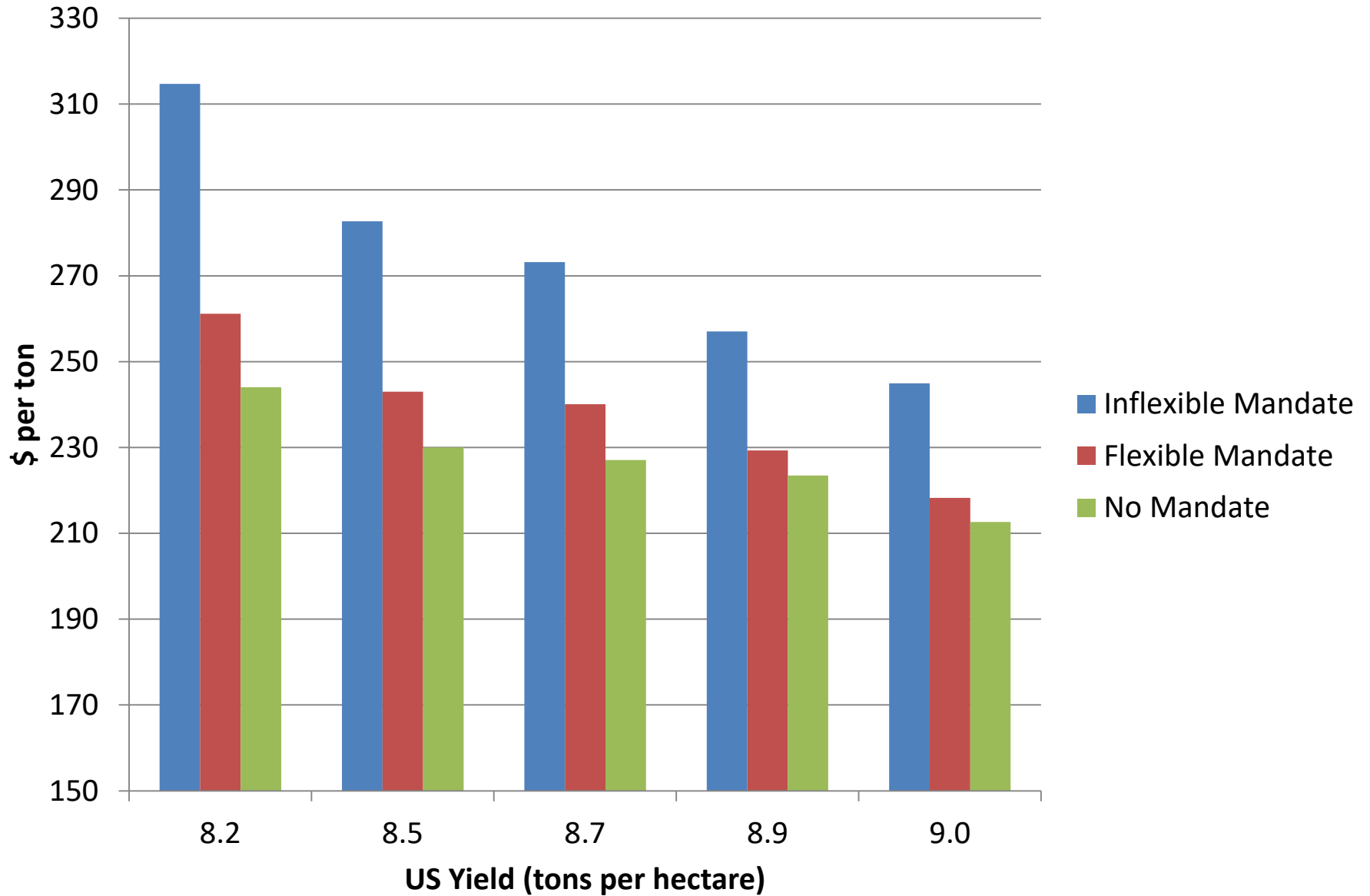
# US Ethanol Production Would Have Been Robust Even Without Subsidies



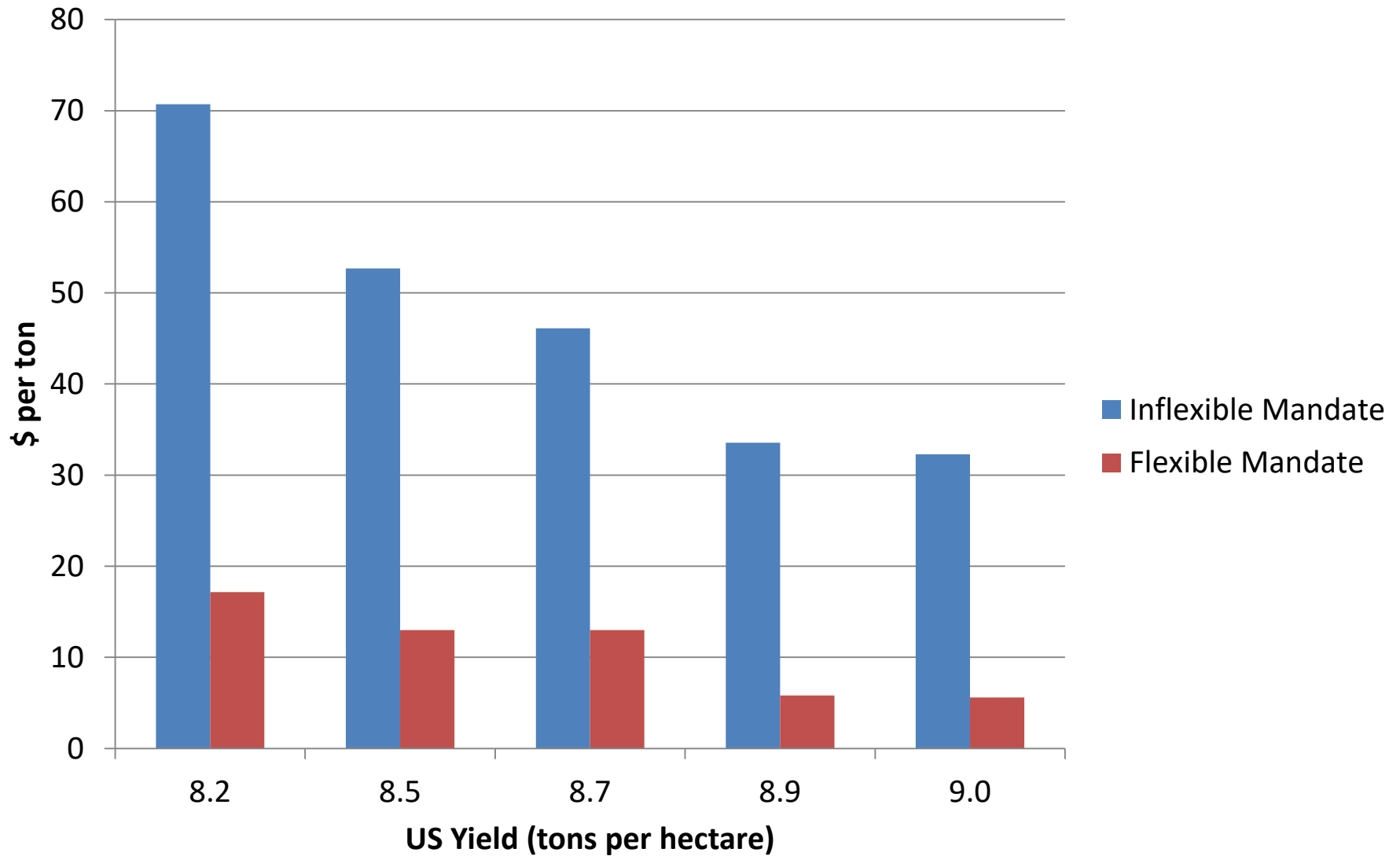
# Causes of Maize Price Increases Since 2004



# US Interior Price of Maize in 2012/13 Marketing Year

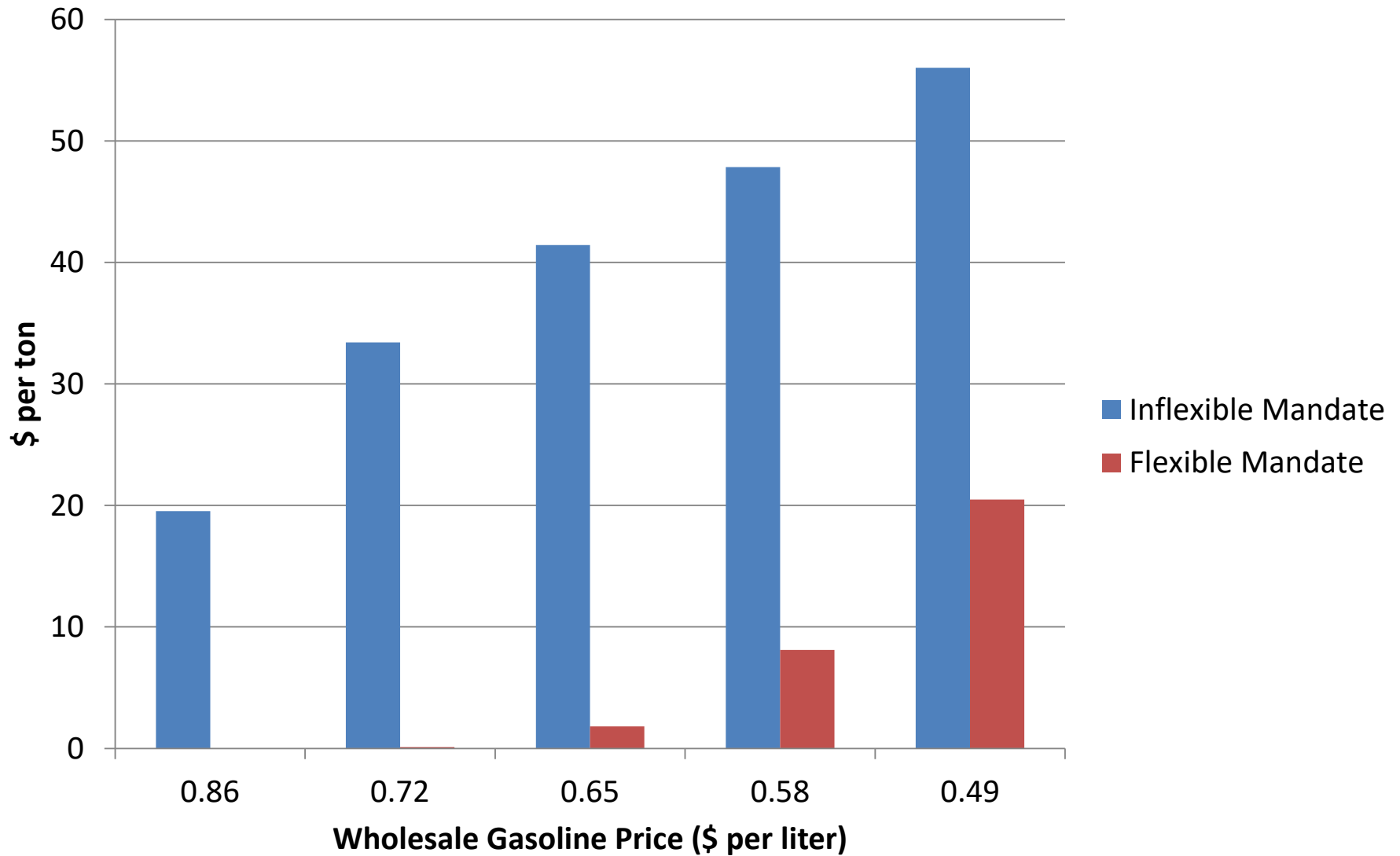


# Impact of US Mandate on Maize Price is Larger When Supplies are Tight





# Impact of US Mandate on Maize Price is Larger when Gasoline Price is Low



# Overview of Current US Policies

- Elimination of ethanol price subsidy and import tariff shows US ethanol industry has matured
- Flexibility in the ethanol mandate helps cushion impacts of a one-year feedstock disruption
- If crop supplies are extremely low, makes no sense to enforce a strong mandate
- Follow Brazil's example by creating demand flexibility on the upside of biofuels production by increasing ability of US auto fleet to use ethanol