

US ethanol subsidies causing higher crop prices

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A study into the financial support provided to the US ethanol industry has added to the debate about the agricultural sustainability of ethanol.

[N050 Image 1](#)

The American report, written by farming and food industry consultant Dr. Thomas Elam of FarmEcon.com, concludes that the US ethanol industry no longer needs a high level of financial support from the government.

On the contrary, Elam says the influence of the federal support programme has shifted from making ethanol feasible, to causing significant increases in food costs and distorting incentives designed to encourage farmers to plant other crops.

The current support programme consists of direct support to small ethanol producers and a tax credit of 51 cents per gallon to fuel blenders who add ethanol to petrol.

Standard fuel

According to the conclusions of the study, which was commissioned by the American Meat Institute, National Chicken Council and the National Turkey Federation, global grain supply would be reduced by 10 per cent if E10 (a widely used blend of 10% ethanol and 90% unleaded petrol) became the standard fuel in the United States.

EU

The study comes just a few days after the European Commission announced that a farm aid scheme aimed at developing Europe's energy crop sector will be scaled back, after it transpired that farmers have already overshot the eligible two million hectare target. The EU move towards biofuels has been blamed in some quarters for stretching land resources and causing price increases of some foodstuffs.