

How corn is quickly becoming the new crude

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The pending global food crisis is due, in part, to a rich twist of irony: One of the factors driving up the price of T-bone steak, a dozen eggs and a carton of milk is a perfectly edible vegetable, a staple of many diets --corn.

Adding to the irony, we're growing more corn than ever before. We're just not eating it.

Corn is being diverted from human consumption, kicking off a domino effect of problems tied to food prices. It starts with ethanol produced from corn, which optimists hope will help solve the U.S. reliance on foreign oil, as well as provide a fuel that burns cleaner.

"The U.S. is now using more corn for production of ethanol than our entire crop in Canada," says Kurt Klein, a professor of agricultural economics at the University of Lethbridge. "It's huge."

And it is going to get bigger. In 2000, world production of ethanol totalled 20 billion litres. In 2007, world production climbed to 60 billion litres. In the month of January alone, six billion new litres of ethanol were produced in the United States, Mr. Klein says.

Scores of ethanol plants are under construction and as a result, Mr. Klein predicts that the United States will produce 52 billion litres of the fuel in 2008. **When all the plants are running, the United States could produce twice as much corn for ethanol as Canada's total crop production -- wheat, barley, canola...everything.**

This has huge implications for global food supplies. The amount of corn it takes to produce 75 litres of ethanol-- roughly a tank of fuel-- is enough corn to feed one person on a 2,000-calorie-a-day diet for a year, Mr. Klein said.

And this is just the tip of the iceberg when it comes to the relationship between corn and rising food prices. As corn prices rise, farmers plant more corn and fewer fields of wheat, barley, soybean, canola and anything else that sprouts from the ground. Mr. Klein, who seeded his farm to canola last year, notes that soy and canola prices have doubled in the past year-and-a-half while the price of wheat is up 80%.

"Without ethanol, we would not be seeing this kind of spike in cereals," Mr. Klein says. Soy, for example, is used in two-thirds of processed foods. Consumers can expect to be footing the bill for these suddenly expensive grains.

At the same time, the cost of rump roasts, chicken wings and milk is also climbing because of ethanol production. Corn is the main ingredient in animal feed, and as corn prices go up, so does the cost of feeding livestock.

While technological advances created this ethanol conundrum, Mr. Klein does not expect a new solution to emerge. "This looks like it is going to be permanent," he says