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ETHANOL

Farmers to plant more corn to meet demands

U.S. farmers are planning to grow 15 percent more corn this year to meet ethanol demands, but some warn this may increase food prices and hurt the poor

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Associated Press

An ethanol-fueled boom in prices will prompt American farmers to plant the most corn since the year the Allies invaded Normandy, but surging demand could mean consumers still may pay more for everything from chicken to cough syrup.

Farmers are expected to plant 90.5 million acres of corn, according to the U.S. Department of Agriculture's annual plantings report released Friday. That would be a 15 percent increase over 2006 and the most corn planted since 1944.

However, the weather will help decide how many acres are actually planted.

"We're awfully wet out here," said John Scott, a grain farmer in west central Iowa. "Normally by this time of year we're doing quite a bit of field work. There just isn't a wheel turning out here."

The move to plant corn is in large part due to a rush to produce corn-based ethanol, which is blended with gasoline. There are now 114 ethanol refineries nationwide and another 80 under construction. And President Bush recently launched an initiative to support flexible-fuel vehicles and cut gas consumption by 20 percent in 10 years.

However, with corn prices rising, concern is growing that the corn rush could hurt the poor in less-developed nations such as Mexico, where the crop is a staple used in tortillas.

On Thursday, Cuban leader Fidel Castro wrote in the Communist Party newspaper that the ethanol plan could deplete corn and other food stocks in developing nations, putting the lives of three billion people at risk worldwide.

GROWING DEBATE

"You're in the middle of an emergence of a food versus fuel debate," said Lincoln Ellis, director of asset management for the Linn Group, a Chicago-based privately held financial trading business focusing on commodities and futures.

"This is the pregame show. We haven't even hit the first quarter."

Corn is a key ingredient in many foods, from corn syrup found in candies and cough syrup to feed used in meat production. The supply and demand of corn affects the price of such goods for consumers at supermarkets nationwide. For example, chicken prices have gone up 40 percent recently because of more expensive feed corn.

Agriculture industry analyst David Driscoll, of Citigroup Research, said in a report Friday that he expects the increased corn acres to slash the price of corn to about \$3 a bushel by December. Corn had been stuck at around \$2 a bushel for years before the ethanol boom.

However, the bigger corn harvest would come at the expense of soybean acres, expected to drop by 11 percent.

"This is definitely a mixed report," Bill Roenigk, senior vice president and chief economist at the National Chicken Council, said in a statement.

Also, both China and India have sent signals recently that they'll import significant amounts of U.S. corn, which could affect prices. The Chinese can't raise enough corn to feed their rapidly growing livestock market and India has recently lowered tariffs, indicating plans to import grains from the United States.

A wild card could be the European Union, which also has required renewable fuel mandates and doesn't have enough land available for grains to make into ethanol.

Increased corn planting could also mean a large drop in cotton production, expected to be down 20 percent from last year. Stuart Sanderson, who farms in northern Alabama, converted all his cotton acres to corn this year and expects an extra \$150 an acre.

FROM COTTON TO CORN

He said all the neighboring farmers he knows have converted at least 30 percent of their fields from cotton to corn. He doesn't anticipate a shortage of cotton, however, because domestic stockpiles remain large.

"When corn goes over that \$3 mark it really catches attention," he said. "The thing about cotton is you can't turn it into a fuel. With corn, you can eat it, you can feed it, you can turn it into fuel. With the ethanol engine, it's a really good time to be growing corn."