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Press Release

Food vs. Fuel Debate Ignores Realities of Biofuel Production

Biofuel production is not the reason for high and volatile prices, which are caused by traditional market fundamentals such as oil prices, exchange rates, weather extremes and ad-hoc trade policy restrictions. This finding is one of the results of a new study that was presented today during a press conference in Brussels.

Local markets in developing countries are regularly cut off from the fluctuations of global agricultural prices. The strong price swings on global agricultural markets in recent years have had only a minimal impact on regions where people are suffering from famine. “The decoupling of markets in developing countries frequently leads to an intensification of the famine issue,” said Prof. Michael Schmitz of the University of Giessen in Germany, who is the author of the study “Do biofuels contribute to price volatility and food insecurity?” Famine and poverty are instead the result of bad governance, corruption, civil wars and extreme weather. Schmitz, an agricultural economist, was a member of the Scientific Advisory Board on Agricultural Policy of the German Federal Ministry of Food and Agriculture for many years. “For some developing and emerging countries, biofuels are actually a willing source of additional export revenue and saved import expenses for fossil energy”, Schmitz said.

Prof. Jo Swinnen from the University of Leuven noted that non-governmental organisations (NGOs) and large international organisations have undertaken a dramatic change of course in recent years. While low global agricultural prices were regarded as contributing to global hunger until 2006, high global agricultural prices have been blamed for global hunger since 2009. “NGOs have undertaken this complete redirection of their argument, which raises questions about just how valid the arguments from before 2006 and since 2009 really are,” Swinnen said. Among other positions, he was Lead Economist at the World Bank and an advisor to the European Commission, the Organization for Economic Cooperation and Development (OECD) and the Food and Agricultural Organization of the United Nations (FAO). In fact, it ultimately comes down to the situation of one’s own household: A net food producer profits from high prices while a net consumer suffers under them. “A more differentiated examination than that currently being undertaken by the NGOs is essential, also when it comes to biofuels,” Swinnen said.

“The food vs. fuel debate is being conducted in an entirely incorrect way and ignores the realities of biofuel production,” said Pekka Pesonen, Secretary General of Copa-Cogeca, representing European Farmers and Agri Cooperatives. “Biofuel production in fact provides major benefits for the animal feed sector as the rapeseed grains can be used simultaneously for both biodiesel production and in animal feed. The majority of the grain stays in the feed sector. Animal feed, which is a result of biofuel production, must therefore be considered as a valuable by-product. If less biodiesel and bioethanol are produced in Europe, as some NGOs are demanding, the EU would also have to import more soybean meal. In addition,

increased biofuel production in the EU relieves land pressures in non-EU countries and helps to combat deforestation of tropical rainforests. Cuts in biofuel production would consequently increase the EU's dependency on feed and lead to biodiversity loss. The food vs. fuel debate is misguided and politicians should put an end to it," Mr Pesonen concluded.

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