

**SUMMARY OF DR. GLAUBER'S STATEMENT  
BEFORE THE U.S. HOUSE COMMITTEE on ENERGY AND COMMERCE,  
SUBCOMMITTEE ON ENERGY AND POWER, JUNE 26, 2013**

Corn ethanol production increased dramatically over the past decade, from just over 2 billion gallons in 2002 to almost 14 billion gallons in 2011. Such a rapid expansion of corn-based ethanol production has affected U.S. corn production and use. From 2005/06 to 2010/11, corn use for ethanol increased by about 700 million bushels per year, rising to about 5 billion bushels.

The sharp increase in the demand for corn for ethanol was a factor behind the increase in corn prices over the period from 2005 to 2010. However, the rise in commodity prices over the past few years has also been due to a variety of other factors, such as increasing global demand, production shortfalls, as well as increasing energy prices, and any increase in farm prices for corn and soybeans due to increased biofuels production has likely had only a small effect on U.S. retail food prices.

Higher corn prices encouraged producers to plant more corn to meet the increased demand. Corn planted acreage, which had averaged 79 million acres between 2000 and 2006, averaged over 90 million acres between 2007 and 2012. Increased plantings, combined with increased yields resulted in corn production of 13.1 billion bushels in 2009, an increase of 2.8 billion bushels above average production levels over the period from 2000 to 2006.

Despite the increase in corn production since 2006, other uses for corn have declined as more corn has been diverted for use in ethanol production. Corn feed and residual disappearance declined by 26 percent from marketing year 2005/06 to 2011/12 while corn exports declined by 28 percent over the same period. However, the decline in corn use for feed has been partially offset by the increased availability of protein feeds such as distillers' dried grains (DDGs), a co-product of the ethanol dry milling process. Nearly one-third of a bushel of corn used for ethanol production is returned in the form of DDGs.

Higher commodity prices over the past few years have strengthened farm balance sheets by raising farm receipts and produced record farm incomes. Higher feed grain prices have helped net cash income for row crop producers, but have raised feed costs that lowered profit margins for livestock, dairy and poultry producers. Feed costs make up 51 percent of expenses for dairy, 19 percent for beef cattle, 42 percent for hogs, and 35 percent for poultry farm business. Price-feed ratios for most species show a decline throughout most of the period since 2006.

Looking forward, increases in demand for corn to produce ethanol are expected to slow due to constraints on domestic ethanol consumption (the so-called "blend wall"), due to caps in the RFS for corn ethanol use, and due to increased supply of ethanol from other feedstocks. Those will mitigate pressure on corn prices. In addition, there are projections of potentially record corn and soybean harvests this fall, rising stock levels, and subsequent moderation of prices. That should support stronger profits in the livestock and dairy sectors. The outlook over the next 10 years calls for moderate productivity growth and flat to declining real prices for agricultural commodities. However, as we have seen over the past 7 years, an unexpected supply shortfall due to adverse weather could precipitate higher prices.