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TALKING TURKEY ABOUT WHAT’S RAISING THE PRICE OF THANKSGIVING DINNER

As Oil and Corn Prices Plummet, Food Companies Fail to Pass Through Savings

While millions of Americans give thanks for lower gasoline prices this Thanksgiving holiday, they won’t be voicing gratitude for the higher price of a typical Thanksgiving dinner. Food prices in October were 6.3 percent higher than a year ago, meaning Americans are sure to notice steeper prices for a traditional Thanksgiving dinner including turkey and the trimmings. Indeed, the American Farm Bureau Federation recently estimated Americans will spend 5.6 percent more for Thanksgiving dinner this year.

To deflect attention from their own actions to keep food prices high, America’s large food companies are misleading the public by blaming increased use of corn for ethanol production for the higher cost of Thanksgiving dinner. One ethanol opponent, the Heritage Foundation, went so far as to deceptively label the ethanol program as “the Thanksgiving tax.” However, a closer look at ethanol’s impact on corn and retail food prices reveals a much different picture. *Only 1.4% of price for the typical holiday meal for 10 this Thanksgiving can be attributed to the U.S. ethanol industry’s demand for corn.*

While the price of Thanksgiving dinner is higher this fall, the price of corn isn’t. A bushel of corn has decreased 21 percent from \$4.28 on Nov. 21 last year to \$3.39 on the same day this year (prices are for Dec. 2008 futures). This fact alone disproves the notion that grain prices are a primary driver of retail food prices. ***If corn prices have decreased since last November, how could they possibly be responsible for the increase in the price of Thanksgiving dinner?***

In addition, even as gasoline demand slows, ethanol is keeping gasoline prices lower than they would otherwise be. At 7% of the nation’s gasoline supply, ethanol represents an important supply of fuel. Because gasoline prices would likely be 20 to 35 cents per gallon higher without ethanol¹, the only noticeable economic impact of ethanol on Thanksgiving dinner this year is the money saved when driving over the river and through the woods to grandmother’s house.

However, to examine the effect of corn ethanol production on the price of a Thanksgiving meal, we first determined the amount of corn required to produce the common Thanksgiving dinner items shown in the table below. About 31.5 pounds of corn, with a market value of approximately \$2.50, would be

¹ U.S. Department of Energy and U.S. Department of Agriculture. Responses to Questions From Senator Bingaman. June 2008.

required to produce the food items shown in the table. The value of corn required to produce these products accounts for roughly 7.1 percent of the total retail price.

CORN REQUIRED TO PRODUCE A TYPICAL THANKSGIVING DINNER

Item	Quantity	Retail Price	Corn Grain Required	Value of Corn in Retail Item ^e	Corn Value, % of Retail Value
Turkey, frozen	16 lbs.	\$19.89 ^a	28 lbs. ^c	\$2.20	11.1%
Bread stuffing, cubed	14 oz.	\$2.57 ^b	0	0	0
Cranberries, fresh	12 oz.	\$2.46 ^b	0	0	0
Green peas	1 lb.	\$1.58 ^b	0	0	0
White potatoes	3 lbs.	\$2.19 ^a	0	0	0
Milk	1 gallon	\$3.66 ^a	3.3 lbs. ^d	\$0.26	7.1%
Rolls, brown-and-serve	12 oz.	\$2.20 ^b	0	0	0
TOTAL		\$34.55	31.5 lbs.	\$2.46	7.1%

Notes and sources:

- Bureau of Labor Statistics (October 2008 average prices; U.S. city average)
- American Farm Bureau Federation; annual price survey. November 13, 2008.
- June 23, 2008 comments to the EPA from the National Turkey Federation state 53 lbs. corn are necessary to produce a 30-lb. turkey. This calculates to a conversion rate of 1.77 lbs. corn=1 lb. turkey.
- According to Umpqua Dairy, an average dairy cow consumes up to 20 lbs. corn per day and yields 6 gallons of milk. This calculates to a conversion rate of 3.3 lbs. corn=1 gallon milk.
- Assumes average corn price of \$4.40/bushel (USDA's latest estimate for the 2008/09 marketing year). This figure is used rather than the current cash corn price of ~\$3.50 because it is assumed these food items were produced when corn prices were higher.

Finally, we examined ethanol's impact on the price of corn, and in turn, on the price of the Thanksgiving meal. An October 23 Reuters article stated that the consensus among analysts is that the ethanol industry's demand for corn has accounted for "around 20 percent" of recent corn prices.² Thus, only 20 percent of the \$2.46 worth of corn required to produce a Thanksgiving dinner for 10 can be attributed to ethanol. *This equates to roughly \$0.49, or 1.4 percent, of the total retail price, not the price increase, of the Thanksgiving dinner items shown in the table on page 1.*

Given the fact that ethanol production has continued to increase while the price of corn is lower today than it was a year ago, any argument that ethanol is driving up the price of corn, or food, today is cooked. If the nation's largest food processors had some truth in advertising, they would tell consumers that the impact of the ethanol industry's demand for corn on the price of a typical Thanksgiving dinner for 10 people amounts to, at most, nothing more than a *couple of quarters*.

² Nelson, Sam. "Analysis—Ethanol no longer seen as big driver of food prices." Reuters. Oct. 23, 2008. Viewed at: <http://uk.reuters.com/article/oilRpt/idUKN2338007820081023?sp=true>