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Farmers not profiting from high food prices

The editor:

There is currently a large amount of misinformation and half-truths being circulated implying that agriculture, biofuels, and rising commodity markets are responsible for the increase in food prices domestically, and for food shortages globally. As a central Kentucky corn, soybean, and wheat grower, and as president of the Kentucky Soybean Association, I feel it is time to make the public aware of the facts.

In recent weeks it has been revealed that the Grocery Manufacturers Association and the American Petroleum Institute have begun a multi-million dollar campaign to target agriculture as the primary reason for increased food prices. Nothing could be further from the truth. One of the major causes of food price hikes can be linked to the ever-growing cost of crude oil and fuel. Transportation costs for the products we consume have skyrocketed, not to mention the cost of the packaging, which is largely petroleum based. Food processors do not absorb these costs; they are passed on to all of us.

The facts are many.

Of the 170 million acres of field corn (NOT sweet corn) and soybeans we grow, only 9% actually enters the food supply directly. The overwhelming majority of these crops are used for livestock feed, renewable fuel, or exports.

Keep in mind that farmers do not set the price for the commodities we produce. We are at the mercy of the market. With this in mind, do not fall prey to the notion that because corn is high, milk, beef, pork, chicken, etc. will all have to be higher. A corn grower, for example, has no ability to charge a dairy farmer any more for corn than what the market price is, and that dairy farmer in return has no ability to charge the milk processor more for his milk. He simply gets market price. Only after that milk leaves the farm is its price able to be manipulated. The fact is farmers do not set the price of their commodities nor do we manipulate supply like OPEC does with oil.

Did you know that of every dollar that goes to retail food only \$0.19 goes back to the farmer? That leaves \$0.81 that goes to packaging, wholesaling, distributing, transporting, and retailing of food products. According to the United States Department of Agriculture, in 1980 farmers received \$0.31 of every dollar. Twenty-eight years later, we as farmers are making substantially less from the retail food market.

The biofuels industry is also taking a beating as being inefficient and taking food from hungry people. While biofuels will never completely replace oil as a source of fuel, it has displaced some of our dependence on oil and it has provided us cleaner burning fuels-helping our environment. According to Merrill Lynch, current fuel prices would be 15% higher if it were not for biofuels in our marketplace. Add 15% to today's price for gasoline and that translates to about \$0.60 more for each gallon. And remember, the corn and soybeans used to make these fuels are not directly consumed by humans in the first place.

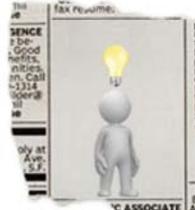
It is my hope that this letter will help reveal the truth about rapidly rising food prices, as well as to point out the positive impact America's farmers are responsible for. We are doing our very best everyday to produce the safest, highest quality, most abundant grain and livestock in the world.

Aaron Reding
Kentucky Soybean Association President and Soybean Producer
from Nelson County



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