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- ☐ 206 FEDERAL BUILDING  
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## United States Senate

CHARLES E. GRASSLEY

WASHINGTON, DC 20510-1501

October 28, 2008

REPLY TO:

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C. Manly Molpus  
Interim President and CEO  
Grocery Manufacturers Association  
1350 I (Eye) St. NW, Suite 300  
Washington, DC 20005

Dear Mr. Molpus,

Over the past year, there has been much discussion in the media, in academics, and in the Congress about ethanol and whether its use has an impact on food prices that consumers pay at the grocery store checkout.

On April 4, 2008 your organization released the following comment: "The federal government's food to fuel mandates are diverting one-fourth of America's corn supply from kitchen tables to fuel tanks, and the result is corn selling for \$6 a bushel, an all time high. And the ripple effects are being felt throughout the economy. In tough times like these, when many families are struggling, Congress and the administration need to take a hard look at the unintended consequences of these food to fuel mandates that raise food prices without offering a significant environmental benefit."

Since the smear campaign was launched last spring, I've been calling for intellectual honesty regarding ethanol and its role in the economy. Recent changes in the market confirm that many factors contributed to higher food prices during the last year.

For example, in June corn reached its peak price of \$7.88. However in the three months that followed, the price of corn was cut nearly in half. Oil prices have also fallen, and as I write this letter a barrel of oil is trading at \$65, which is being reflected by lower prices at the pump.

Yet, as recently as October 6, 2008, Scott Faber of your organization was quoted by the Deseret News as saying "The food manufacturers are high-volume, low-margin companies that have initially absorbed a lot of the costs of higher commodities prices. But ultimately, higher commodities prices will be reflected in higher retail prices in the grocery aisle." Yet, today prices for corn futures are at \$3.85, soybeans at \$8.93, and wheat at \$5.29 all nearly fifty percent or lower than they were earlier this spring.

The fact is, the amount of corn currently projected to be used by the ethanol industry this year is identical to the usage projected in May when the Grocery Manufacturers Association was doing

RANKING MEMBER,  
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everything it could to make ethanol the scapegoat for the rise in commodity and food prices. Subsequent events clearly prove that ethanol was not the primary driver of those corn prices.

In fact, when oil prices and commodity prices rose earlier this year, food processors and grocery stores reflected their higher input costs almost immediately, passing them onto consumers. However since commodity prices have declined over the past three months, we have seen retail food prices continue to rise. On October 17, 2008, Scott Faber was again quoted in the Wall Street Journal. "The impact of [higher priced] corn is continuing to work its way through the value chain and will continue to be reflected in higher grocery prices for *some period*."

This indicates that while food processors were willing and able to immediately blame ethanol and rising corn prices for having to increase retail food prices, they won't be extending the same courtesy by lowering those prices with lower corn and oil prices.

Consumers are facing an uncertain economy. They are losing jobs and finding it more difficult to make ends meet and put food on the table. Last spring, when the Grocery Manufacturers Association launched its anti-ethanol campaign Scott Faber indicated, perhaps unintentionally for public consumption, that this was done to protect the bottom line of grocery manufactures and processors. Now that grain and energy prices have been sliced in half, surely we can expect that the grocery manufacturers will pass on these savings to American consumers who are suffering from economic hardship. Please let me and others know how the Grocery Manufacturers Association and its member companies plan to reduce food prices commensurate with lower input costs. I also look forward to your assurances that this will happen soon, so that consumers can measure the benefit.

Sincerely,



Charles E. Grassley  
U.S. Senator