

INTERVIEW-Green fuel growth jeopardizes U.S. food exports

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ST. LOUIS - America's push to wean itself off foreign oil by expanding production of fuel made from corn and soybeans could jeopardize its status as the world's biggest food provider, the head of agribusiness Bunge North America said Tuesday.

"The export markets are growing, the fuel markets are significant -- we need to think very carefully how much of our ag production we put into meeting fuel needs," Carl Hausmann, president and chief executive of the North American arm of Bunge Ltd. <BG.N>, told Reuters in an interview at the World Agricultural Forum in St. Louis.

"Ag absolutely has an opportunity to participate in these markets but we don't want to do this at the extent of turning our backs on export markets," he said.

While U.S. and world production of corn and soybeans is expanding, the demand for both to feed the booming biofuels market poses a great challenge to global agriculture, he said.

The United States is on track to meet its renewable fuels standard to produce 7.5 billion gallons by 2012. But President George W. Bush set a goal in his State of the Union address to expand annual green fuels production to 35 billion gallons by 2017.

This year, 2.15 billion bushels of corn, or 20 percent of the 2006 U.S. corn crop, will be used to meet demand for ethanol production, up from 1.6 billion bushels, or 14 percent of production, the previous season.

"If we were to convert the entire world's production of vegetable oil into fuels that would satisfy just 29 days of diesel fuel and heating oil," said Hausmann, who doubts whether the United States will be able to produce 35 billion gallons of renewable fuels annually by 2017.

Bunge, a leading soy and grains exporter, sees continued growth potential, especially to China, not only for soybeans but also for soybean meal and soybean oil.

China's population is growing, their diets are improving and there is less land and water for farming -- all ingredients for strong food consumption.

"The biggest thing that could hurt exports to China is growing concentration of food production going into increasing percentage of domestic fuel production ... you always hate to walk away from a growing, good-paying export market."

Increased use of biotechnology globally to lift crop yields and more efficient use of water and land would go a long way in helping the agricultural industry boost grain and oilseed production to help the green fuels industry meet its goal, Hausmann said.

But he said the question remains: "How much imported fuel America can replace with ag production without having an impact on food prices."

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