



CONGRESS OF THE UNITED STATES
JOINT ECONOMIC COMMITTEE

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Ranking Republican Member

PRESS RELEASE

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**STATEMENT OF
CONGRESSMAN
JIM SAXTON**

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Increasing Food Prices

WASHINGTON, D.C. -- It is a pleasure to join in welcoming the panel of witnesses before us today. In recent months, a rise in commodity prices worldwide has led to increases in the prices of food in the U.S., as well as in many other nations.

We all are concerned about the impact of food prices on the American family. The global food crisis has led to outbreaks of food riots and potential famine in other countries, which is disturbing as well. The global food crisis has several causes, according to objective analysts.

One factor is higher demand for food from China, India, and other countries undergoing rapid economic development. Another factor is drought or dry conditions in Australia and other grain-exporting nations. An additional factor has been export tariffs on food imposed by several countries. Since many farm commodities are traded globally, the effects of these international factors on U.S. food prices should not be neglected.

Government policy has also made a major contribution to the food crisis. As the respected *Financial Times* noted yesterday, "Protection, subsidies and other such follies distort agriculture more than any other sector...The present crisis is a golden opportunity to eliminate this plethora of damaging interventions."

Unfortunately, despite high food prices, the U.S. Congress seems to be moving in the opposite direction. According to Democratic Congressman Ron Kind, the forthcoming farm bill "looks like a nightmare," and "Negotiators managed to avoid every opportunity to reform wasteful, outdated subsidies." Consequently, not only will consumers be hit with higher food prices, but they will have to pay again to finance billions of subsidies for farmers, a number of whom are already quite wealthy.

The U.S. import tariff on ethanol is another factor contributing to higher food prices. This tariff provides an incentive for farmers to produce more corn than they otherwise would for the domestic ethanol industry. If the tariff were repealed, farmers would have more incentive to produce corn or other crops for food, increasing supply.

Finally, to the extent that the Federal Reserve's monetary policy has been too easy, short-term inflation pressures may have increased, raising commodity prices in general. In addition, higher fuel prices, partly due to OPEC's restrictive policies, have contributed to the increase in food prices by boosting the cost of fertilizer, processing, and transportation.

As consumers face higher prices in coming months, members of Congress will continue to express their concern. However, what matters more than rhetoric is the action that Congress takes. Will Congress actually proceed to enact what Congressman Kind described as a "nightmare" of "wasteful, outdated subsidies" even as food prices continue to rise, or will there be genuine reform? As things appear now, the prospects for reform don't look very promising. If this is the case, consumers can look forward to paying high food prices, and then paying again as taxpayers to finance billions in farm subsidies. Another opportunity for reform will have been lost.

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