

Alternative Fuel: Fast Food Takes on a Whole New Meaning

The United States Department of Agriculture (USDA) dropped a bomb in early 2007 that may have a profound impact for years to come on how we satisfy our need for food and cheap fuel. In a report measuring the previous year's corn crop, the USDA revealed that there was far less corn available than many experts had estimated. We all know what happens when demand overwhelms supply. The following day -- January 12, 2007 -- the price of corn exploded. Why should you care? Sorry to be the bearer of bad news, but the soaring price of corn may mean that your food, energy, and housing bills are going to rise -- and fast. You may ask, how can one simple grain like corn wreak such havoc on my economy? The answer is simple. Corn is not just that yellow kernel we chew off a cob every summer. Corn is used as feed in the meat and poultry industries. So expect those protein sources to rise in price. Corn is also used as a sweetener. But the taste may be bitter as the price of cereal, breads and candies skyrocket. But most important, the corn fields of America have become a new battle ground. And the combatants are those who need inexpensive food to survive, and those who believe corn is a cure-all for high energy prices. The surge in grain prices is the result of growing interest in developing alternative fuels. Ethanol, which is derived from corn, is one of the most popular contenders. Last year, in an article for Fortune magazine, Lester Brown, president of the Earth Policy Institute, said that the demand for corn may have disastrous consequences. "The growing myth that corn is a cure-all for our energy woes is leading us toward a potentially dangerous global fight for food," he wrote. Brown believes the competition for corn will mean that "cars, not people, will claim most of the increase in world grain consumption." Long before the USDA report was released, the price of corn had enjoyed a nice run up. After hitting near-record lows in the summer of 2006 -- a pattern that has occurred nearly every summer in the 21st Century -- corn began to move. By late November, the grain had climbed more than \$1, bringing the March 2007 futures price to about \$3.90 per bushel. Futures traders who saw an opportunity in low prices last year are certainly pleased. Every \$1 move in price pays \$5,000 per contract. But Brown believes soaring food prices will endanger the lives of the world's poorest people. Jason Kottle, who blogs at Kottle.org, is concerned that one of the nations hardest hit by the price surge in corn could be America's neighbor -- Mexico. "Corn (maize) was likely first domesticated in Mexico and remains the cornerstone of Mexican cuisine." And Mexico imports a great deal of corn from America because it is cheaper than local corn, Kottle wrote in his November 7, 2006 blog. Meanwhile, at Lovecraft Biofuels, of Silver Lake, CA., Brian Friedman is converting late-model diesel-powered Mercedes Benz automobiles to run on vegetable oil. And business is booming, according to the Los Angeles Times. Friedman's enterprise is fueled by the notion that individuals can be free of Middle East energy. But one day not far in the future the owners of those cars may be in for a rude awakening. Imagine those drivers of alternative-fuel vehicles strolling down the grocery aisle looking for food to feed their car. They come to the corn oil shelf and realize the price has doubled and they are now paying more for fuel than their neighbors who drive those old-fashioned fuel-injected hot-rods. Is there a solution? In my previous article Hedge Household Expenses: Families Can Learn Corporate Finance Secrets. I make clear that individuals and families need not settle for higher prices. In fact, families all over the world can't afford to tolerate inflated prices in food, housing and clothing -- let alone fuel. For a free grain-trading tutorial, go to the Chicago Board of Trade's website.

About the Author

Works to eliminate hunger through food distribution, education and advocacy in cooperation with the community. News, how to help, how to get food assistance.

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