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For Immediate Release

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\$4 Gas and Climbing, Energy Costs hitting close to home for all consumers, notes VGPA

Chesapeake, Va (May 28, 2008) – Virginians are now paying \$4.00 for a gallon of gas. The price of crude oil has reached nearly \$140 per barrel and the national average for gasoline prices has now exceeded \$4.00 per gallon. America must commit now to energy alternatives states the Virginia Grain Producers Association (VGPA).

Numerous studies like those from Kansas, Nebraska, Texas and the U.S. Department of Agriculture (USDA) point out that high energy costs have the greatest impact on rising costs for the consumer such as food prices. Ethanol currently replaces 130,000 barrels of crude oil every day and is currently the only thing standing between Americans and crippling energy costs.

It is no surprise with daily record highs for oil, the consumer is seeing an impact in places like the grocery store. Coupled with record high world demand for food, high energy costs have a huge impact on basic needs such as transportation and food. It is also important to note that some of the rise in food costs is due to increases in marketing and pre-processed foods; not to mention profits. Last quarter, Kraft reported net revenue increases of 20.8 percent to \$10.4 billion and General Mills quarterly net earnings grew 61 percent to \$430 million. The scope of rising food prices is much larger than our country's commitment to alternative energy like ethanol.

Grain producers in Virginia feel the same pinch in rising costs. Diesel for tractors and trucks is even more than gasoline and, agricultural producers continue to absorb higher costs just to plant a crop notes the VGPA. High energy costs burden consumers and agriculture producers alike.

Molly Pugh, VGPA executive director recently pointed out that in addition to the prices faced by consumers, farmers who are currently planting corn and soybeans are also facing significant price increases. Those increases caused over a 10 percent deduction in corn acres this year in Virginia and a thirty-five percent increase in small grain acres. The shift was made because of increased input costs.

“The rising production costs have increased significantly and producers are operating under the smallest margins of their careers,” continued Pugh. “The increase for Virginia grain producers are anywhere from 25 to 150 percent. This includes items such as seed, land, labor, equipment and fertilizer. For example, di-ammonia phosphate (commonly called DAP) could be purchased for \$240 a ton in 2005. Today, the wholesale price for the same product is nearly \$1100 a ton. That

is a significant cost on its own but several of our grain producers are still trying to recover from last year's devastating drought. Putting out the largest investment of their careers just to plant their crop in addition to paying on debt owed from last year is a considerable task for Virginia's grain producers. Additionally, several grain producers are currently re-planting corn because of weather problems due to the wet spring. These types of risks and costs threaten a producer's operation and livelihood."

The record high gas and food prices have also continued the heat the debate on food and fuel. Pugh noted that biofuels production continues to take blame for high food prices.

"We trust the American consumer to understand that if they pay more to get to the store, it costs more for the food to get from the farm to the processor and then to the distributor and finally, to the grocery store. If we are concerned about rising food prices, our best method of defense is more sources of alternative energy like grain-based ethanol," she said.

Virginia's grain producers continue to work to meet the food, fuel and feed markets but the consumer has a role too. Every citizen must support the expansion and progress of the renewable fuels industry in order to see relief in places like the grocery store. It is time for America to commit to a more environmentally-responsible fuel and to take our energy security seriously. The importance of ethanol as a cleaner, domestic alternative to foreign imported oil and gas cannot be overlooked. For Virginia, the growing ethanol industry provides a vital value-added market for grain, an economic boost to the local economies and a better, cheaper fuel for Virginia's families.

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