



# ABA News

Press Release from the American Bakers Association



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## **High Food Prices Threaten Small Businesses and Consumers, ABA Tells Congress Urges Immediate Action on Ethanol Program Mandates**

Washington D.C. – “Now is the time for Congress to respond to the food crisis and take immediate actions to curb programs that have contributed to our current situation,” commented ABA President & CEO Robb MacKie. “While there are many factors as to why food prices are so high, the impact of the ethanol program on consumers and small businesses cannot be ignored. ABA strongly urges Congress and the Administration to immediately waive the Renewable Fuel Standard, the ethanol import tariff and the blender’s credit in order to ease the pressure on our food stocks.” The impact of high food prices on the baking industry and its customers – American consumers – was the subject of testimony delivered Thursday, May 15, 2008, by Frank D. Formica, third generation owner of Formica Brother’s Bakery in Atlantic City, New Jersey. Mr. Formica represented the American Bakers Association (ABA) before the House Committee on Small Business.

Mr. Formica explained to the Committee that his century-old family business has been driven to the brink of extinction by a withering combination of increased costs for flour and fuel, as well as price increases for the entire inventory of products and services necessary to run his wholesale and retail baking business. “We have absorbed the majority of the costs which has crushed our profitability. I am fighting to keep my business above water for the first time in over 92 years, including the Great Depression,” he told Committee members.

“We are faced with an economic crisis in our country, one that quite honestly is putting at risk a number of small businesses that serve our community, and if not addressed will change our country’s economic landscape for generations to come,” warned Mr. Formica.

“It is critical to find the proper balance between growing crops for fuel and growing crops for food,” stressed Lee Sanders, ABA Senior Vice President of Government Relations and Public Affairs. “The current situation with dangerously low commodity stocks in the U.S. leaves too much to chance, as even a slight weather or transportation problem could lead to even more serious worldwide food shortages and ultimately could create homeland food security issues.”

In its testimony, ABA joined with food industry partners, The Grocery Manufacturers of America (GMA), The National Restaurant Association (NRA) and The Snack Food Association (SFA) in urging the Committee to take the following actions to relieve the pressure on U.S. food stocks:

1. Ease the ethanol mandate by immediately waiving the Renewable Fuel Standard, as well as eliminating the import tariff and blender's credit on ethanol. These actions will allow our country to make progress toward renewable fuels without sacrificing our food stocks. The U.S. has a finite number of acres to use for farming, and fuel crops have taken over many acres that were previously used to grow food.

2. Carefully consider the needs of consumers when supplies of wheat and other commodities drop to dangerously low levels. Historically, U.S. wheat stocks have averaged a three-month supply. Current estimates have wheat stocks down to twenty-four days, the lowest since 1948. While recent USDA reports project that wheat plantings will increase by over 4 million acres, even USDA recognizes that any increase will be "more than offset by increased use and trade prospects," meaning that more wheat entering the food chain will do little to help alleviate the current food crisis and global consumption trends, let alone return us to the historical average stocks.

3. Address the increasing pressure on available farm land in the US. Currently, 34.6 million acres of US cropland idled through the Conservation Reserve Program. A significant portion of CRP acreage located in large is wheat producing states. ABA believes that as much as one-third of the acres under contract in the CRP could be returned to production without sacrificing environmental goals. Congress needs to lean on the USDA to exercise its authority to put these needed acres back into production.

"ABA applauds Chairwoman Velazquez, Ranking Member Chabot and the House Committee on Small Business for bringing attention to this critical situation," said Mr. MacKie, "We hope that committee members will begin immediate implementation of the solutions they heard today in order to ease the current food crisis. America needs small businesses like Formica Brother's Bakery, and American consumers need to be secure in their ability to feed their families. We believe taking the steps outlined in the ABA Action Plan will ease concerns regarding the threat of possible food shortages while allowing the market to correct itself in a measured and rational way."

***About the American Bakers Association:***

*ABA is the Washington D.C.-based trade association that has been the voice of the wholesale baking industry since 1897. ABA has a long and dedicated history of representing the interests of the wholesale baking industry before the U.S. Congress, federal agencies, state legislatures and international regulatory authorities. ABA represents approximately 80 percent of the wholesale bakeries and their suppliers in the United States.*

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