

July 21, 2010

Chairman Sander M. Levin
House Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

Ranking Member Dave Camp
House Committee on Ways and Means
1139E Longworth HOB
Washington, DC 20515

RE: Hunger, Farmer, Religious and Development Organizations Oppose Extension of Ethanol Tax Credits (VEETC)

Dear Chairman Levin and Ranking Member Camp,

On behalf of our members and supporters, we write in opposition to an extension of the Volumetric Ethanol Excise Tax Credit (VEETC). Biofuels have been a key contributor to increased food prices both here in the US and around the world and are exacerbating hunger. With a cost of over \$5 billion a year – and growing – we should not be wasting money on policies such as VEETC that are harmful to families across the globe as well as here at home.

Extending VEETC would further support corn ethanol, which has proven to be a primary competitor for land with food production. Just two years ago, a rapid increase in the production of biofuels for US and European consumption created reverberations around the globe, acting as a tax on food that is felt by the poorest and contributing to a spike in food prices that led to hunger riots. The International Food Policy Research Institute estimated that the demand for biofuels accounted for 30% of the rise in grain prices during the 2008 food crisis. A World Bank analysis found that increased demand for biofuels from the US and also Europe contributed to 75% of the rise in food prices during the same crises. Yet, despite these problems, biofuels continue to benefit from massive subsidies, the largest of which in the US is VEETC.

The money spent on VEETC would be much better utilized if it was dedicated to programs that directly address the causes of hunger around the world and here at home. Already, more than 1 billion people worldwide suffer from hunger, and more than 10 percent of households in the US experience hunger or are at risk of hunger. Yet billions of dollars are benefiting corporate America through subsidy programs like VEETC while domestic programs like unemployment insurance remain underfunded. New public investment in developing country agriculture, particularly small-holder farmers and women food producers, is urgently needed to address global food insecurity. Together with other donor countries, the US has committed to increase aid to agriculture and food security, and Congress should fully support the Administration's budget request to this end. In this time of financial uncertainty and budget tightening, spending taxpayer dollars needlessly on corporate subsidies like VEETC is irresponsible.

Yet, despite this, Congress is now considering handing out billions to the oil industry for doing what they are required to do by law: blending ethanol. The 2007 Renewable Fuels Standard (RFS), which creates a guaranteed market for ethanol, makes VEETC duplicative since it requires oil companies to purchase ethanol. The RFS, not VEETC, drives ethanol production and consumption. Thus, allowing VEETC to expire would neither decrease overall ethanol consumption nor would it decrease jobs from ethanol production.

In this age of financial austerity, it is important that we start making smart choices about how to spend taxpayer dollars. And, first on the chopping block should be unnecessary, wasteful subsidies such as VEETC. Please take a stand against wasteful taxpayer spending and allow VEETC to expire.

Sincerely,

**Action Aid USA
American Jewish World Service
Centre for Health Policy and Innovation
Columban Center for Advocacy and Outreach
Family Farm Defenders
Food Democracy Now!
Friends of the Earth – US
Global Hunger Foundation
Grassroots International
Maryknoll Office for Global Concerns
National Catholic Rural Life Conference
Oakland Institute
Oblates of Mary Immaculate, Justice Peace/Integrity of Creation Office
Oxfam America
PLANT (Partners for the Land & Agricultural Needs of Traditional Peoples)
School Sisters of Notre Dame Cooperative Investment Fund
The Second Chance Federation, NYC
Sisters of Notre Dame de Namur Justice and Peace Office
Sisters of St. Francis of Philadelphia**

CC: House Committee on Ways and Means