



Comments on 2013 Waiver to the Renewable Fuel Standard (RFS) for Ethanol

October 8, 2012

VIA ELECTRONIC MAIL
Air & Radiation Docket
Environmental Protection Agency
Mailcode: 6102T
1200 Pennsylvania Ave. NW.
Washington, DC 20460

RE: Attention Docket ID No. EPA-HQ-OAR-2012-0632
Request for Comment on Request for a Waiver to the Renewable Fuel
Standard (RFS) for Ethanol

Dear Sir or Madam:

These comments are submitted by the U.S. Poultry & Egg Association (USPOULTRY) in response to US Environmental Protection Agency's (EPA's) request for comment on letter requesting a waiver of the Renewable Fuel Standards (RFS) and matters relevant the EPA's consideration of those requests.

I. Industry Overview

USPOULTRY is the world's largest poultry organization, whose membership includes producers of broilers, turkeys, ducks, eggs and breeding stock, as well as allied companies. The Association progressively serves the industry through research, education, communications and technical services.

II. EPA request for Comment on the Proposed National Pollutant Discharge Elimination System (NPDES) Concentrated Animal Feeding Operation (CAFO) Reporting Rule

On August 20, 2012, EPA issued a request for comment on letters seeking a waiver of the volume requirements of the Renewable Fuel Standard (RFS). The Governors of Arkansas and North Carolina requested that EPA waive a portion of the Renewable Fuel Standard under section 211(o)(7) of the Clean Air Act.

After receiving several requests, EPA announced the extension of the public comment period to October 11, 2012.

III. Background

The Energy Policy Act of 2005 established the first renewable fuel volume mandate in the United States. As required under the Energy Policy Act of 2005, the original RFS program (RFS1) required 7.5 billion gallons of renewable fuel to be blended into gasoline by 2012. The RFS program was expanded in 2007 under the Energy Independence and Security Act (EISA) and increased the volume of renewable fuel required to be blended into transportation fuel from nine billion gallons in 2008 to 36 billion gallons by 2022.

Section 211(o)(7) of the Clean Air Act (CAA) authorizes the EPA to reduce the mandate for biofuel use if the policy is causing severe economic or environmental harm to a region or the nation.

In August of 2012, the Honorable Mike Beebe, Governor of the State of Arkansas, and the Honorable Beverly Eaves Perdue, Governor of the State of North Carolina, submitted a letter to EPA Administrator Lisa Jackson requesting a waiver of the requirement to produce 15.2 billion gallons of ethanol in 2012, citing the extreme drought that occurred across much of the United States in 2012.

EPA has requested the public to address the following items when submitting comments:

1. Whether compliance with the RFS would severely harm the economy of Arkansas, North Carolina, other states, a region, or the United States;
2. Whether the relief requested will remedy the harm;
3. To what extent, if any, a waiver would change demand for ethanol and affect prices of corn, other feedstocks, feed, and food;
4. The amount of ethanol that is likely to be consumed in the U.S. during the relevant time period, based on its value to refiners for octane and other characteristics and other market conditions in the absence of the RFS volume requirements
5. If a waiver were appropriate, the amount of required renewable fuel volume appropriate to waive, the date on which any waiver should commence and end, and to which compliance years it would apply.

IV. Comments

1. **Will compliance with the RFS severely harm the economy of Arkansas, North Carolina, other states, a region, or the United States?**

In May of 2012, USDA's World Agriculture Supply and Demand Estimate report (WASDE) forecasted 14.8 billion bushels of corn to be harvested this fall. USDA's August WASDE report forecasted 10.8 billion bushels of corn, more than one-fourth less than originally forecasted and 17 percent less than last year's crop. This is 40 percent less than the quantity needed to adequately supply all users of corn. Moreover, the September WASDE report estimates a further decline in this year's corn crop. This is a direct result of the drought that occurred during the 2012 growing season.

At present, nearly 40% of the corn grown in the United States is used in the production of ethanol. Allowing the RFS to remain in place will continue to redirect a shrinking supply of corn from the animal agriculture industry to the ethanol industry.

As the supply of corn available for feed rations shrink, demand will cause the price of corn to rise to levels that severely affect an animal agriculture producer's ability to feed animals. This will lead to a cutback in production and decrease in the supply of food products. The cost of all foods using corn in any form would increase, in turn raising the prices paid by consumers. Purdue economists have shown that even a 44 percent reduction in corn ethanol blending would reduce corn prices by \$2.00 per bushel, or 24 percent, reducing the cost of feed and food.

In 2011, the state of Arkansas produced over 1 billion chickens and 3.2 billion eggs while the state of North Carolina produced in excess of 2 billion eggs, 1 billion chickens and 0.8 billion turkeys. North Carolina's poultry industry has an annual economic impact of \$12.8 billion dollars and employees over 110,000 individuals. The State of Arkansas's poultry industry has an annual economic impact of \$ 27.6 billion and employees over 127,000 individuals. The likely cutback in production required as a result of inflated corn prices caused by the RFS and compounded by the drought could lead to lost wages and jobs of individuals working in the poultry and egg industry in the states of North Carolina and Arkansas. The overall negative economic impact is impossible to calculate given the fact that final crop yields have not yet been established.

2. Whether the relief requested will remedy the harm:

Waiving the RFS will directly relieve the harm caused by decreasing corn use for ethanol, thus relieving pressure on the corn supply. Although ethanol is widely used as an oxygenate in gasoline, it is a very inefficient motor fuel and provides only 67 percent as much energy as gasoline on a per-volume basis. Due to its lower energy potential, ethanol must sell at a steep discount, compared to gasoline, to be an economically efficient fuel source. On a per-energy basis, ethanol remains much more expensive than gasoline. Although refiners would continue to use ethanol as an oxygenate, removing the RFS would likely cause refiners to switch to other, less expensive inputs to manufacture renewable fuel. This would decrease the production of corn ethanol by roughly 50 percent, causing a more than \$2.00 decrease in the price of a bushel of corn.

3. To what extent, if any, a waiver would change demand for ethanol and affect prices of corn, other feedstocks, feed, and food:

Currently 40 percent of corn produced is consumed in the production of ethanol. Reducing the amount of corn ethanol produced to levels needed for its use as an oxygenate would decrease demand for corn to market levels and reduce the artificially high price corn now demands.

An RFS waiver would decrease the price of corn by more than \$2.00, reduce the overall cost of food by more than two percent, decrease the artificially inflated demand for ethanol, and not impact consumer gasoline supply or prices.

Currently, ethanol makes up only 10 percent by volume of fuel used and 6.7 percent by energy content. In 2011, ethanol made up only 3.1 percent of U.S. liquid fuel consumption in the United States. Removing the RFS will have little-to-no effect on prices at the gas pump as fuel blenders can easily adjust product mixes to compensate for the decrease in ethanol.

4. The amount of ethanol that is likely to be consumed in the U.S. during the relevant time period, based on its value to refiners for octane and other characteristics and other market conditions in the absence of the RFS volume requirements:

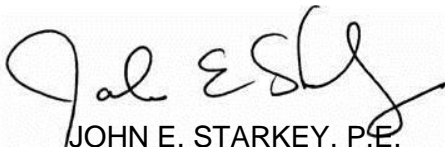
Because ethanol is not a competitively priced energy source compared to gasoline, it would be used mainly as an oxygenate absent the RFS. Roughly 400,000 barrels per day of ethanol would be blended into the fuel supply if it was used mainly as an oxygenate. That would represent a 50% decrease in the amount of ethanol used in motor fuel.

5. If a waiver were appropriate, the amount of required renewable fuel volume appropriate to waive, the date on which any waiver should commence and end, and to which compliance years it would apply.

To have the greatest impact, the RFS should be waived in its entirety for a significant period of time. In order to minimize the eventual rise in food prices caused by shrinking corn supplies as a result of the diversion of corn to the ethanol industry and now compounded by the recent drought, the RFS waiver should commence immediately. With a goal of re-establishing corn stocks, EPA should fully waive the RFS for a minimum of two years. During this period EPA should support research and development aimed at identifying and validating alternative input sources capable of producing ethanol.

USPOULTRY appreciates the opportunity provided by EPA to comment in response to EPA's request for comment on letters requesting a waiver of the Renewable Fuel Standards (RFS) and matters relevant the EPA's consideration of those requests. If you have questions or comments, please contact Paul Bredwell (pbredwell@uspoultry.org).

Sincerely,



JOHN E. STARKEY, P.E.
President