

Thomas E. Elam, PhD, president FarmEcon, LLC on behalf of the National Chicken Council and the National Turkey Federation

Remarks for Delivery - Renewable Fuels Standard Press Call

February 4, 2013

Hello, and thanks for joining us today to discuss the RFS and its impact on consumers, the U.S. economy, and the poultry producers whose perspective on RFS, I want to share with you today. This issue is of vital importance to everyone—not just any one industry. We are all feeling the impact of RFS in one way or another.

First, some history. In 2005, Congress enacted the first RFS which mandated levels of ethanol to be blended with gasoline. In 2007 that ethanol mandate was expanded, and biodiesel was added.

2007 was a game changer – I'd go as far to say it was a "Hail Mary." We did not then, and still do not today, have the volume of agricultural raw materials, or the required cellulosic ethanol technology, to meet the 2007 RFS goals. Nearly six years later, it's still not a commercial reality. The courts just a few weeks ago ruled this to be the case as well.

For the past three years, corn production has declined while RFS mandates have increased. Feed supplies available for food production and exports have also declined precipitously. You don't need to be an economist to figure out what happens next. Smaller supplies have resulted in more than doubling of the most important input cost to poultry production—feed. Since RFS' enactment in 2005, annual feed costs for chicken producers have risen \$8.8 billion, and turkey by \$1.9 billion.

The total food and feed commodity cost increase since 2005 was over \$70 billion last year. In perspective, that's about three percent of our annual federal budget.

These costs are passed on in the form of higher prices. USDA's average wholesale broiler meat prices leapt from 68 cents in 2005 to a record high 91 cents in December, 2012—a 35 percent increase. Turkey meat soared from 79 cents in 2005 to a record high of 120 cents a few months ago. And it's not just poultry that costs more. A variety of food products that depend heavily on corn feed are also more expensive. It's safe to say RFS is hitting consumers, poultry producers, and farmers squarely in the pocketbook.

Another unintended consequence from RFS is bankruptcy for some. Since 2008, eight major poultry producers filed for bankruptcy, and last year, the poultry industry's contract farmers—this includes many small family farms that raise live birds—lost about \$500 million in potential

income. This loss is attributable to chicken and turkey production that did not happen because of higher feed costs.

RFS is a man-made crisis. The 2012 drought was not. The combination of the two was nearly insurmountable. The agriculture community needed help and we, along with many others, asked the EPA to grant a waiver of the 2013 RFS. The current corn supply crisis, to the extent that the unmodified RFS is artificially boosting the use of corn for ethanol production, is raising the cost of poultry production, and creating financial distress for poultry producers and their contract farmers. Unfortunately, EPA denied the waiver request and needless to say, we are still hurting from this decision.

We need to inject a dose of reality into RFS, especially when corn supplies are limited due to historically low inventories. That's been the case for the past three years, and likely won't change anytime soon. As a witness to the devastating impact of RFS on the good people who work so hard to feed our country, I say, allow them to compete on a level playing field with fuel ethanol producers who have an unfair advantage thanks to the 2007 RFS rule changes. We must allow our scarce feed crop production to go to its intended and best use, and we need common-sense measures that benefit the entire U.S. food sector and American families—not just ethanol producers. The RFS is broken, but Congress can fix the rule by acting now and opening an inclusive, robust debate that leads to extensive reform. I urge Congress to start the process now.

Thank you for your time and attention.