Scott Vinson, vice president, National Council of Chain Restaurants

My name is Scott Vinson and I am here on behalf of the National Council of Chain Restaurants, the trade association that represents America's quick-service and table service restaurant chains. NCCR is a division of the National Retail Federation. We appreciate this opportunity to testify at today's hearing on the agency's proposed RVO mandate for 2014.

Chain restaurants are by and large owned and operated by tens of thousands of small business franchisees, most of whom have 1 or 2 or a small handful of individual restaurant locations. These small business franchisees are often family-run enterprises, and they are the very picture of small business in America. They give back to their communities through charitable donations to local good causes, and they serve as popular gathering places for family events, special occasions, and they serve countless meals to everyday Americans every single day.

In recent years, food commodity costs for chain restaurants and their small business franchisees have increased dramatically. This increase has happened to coincide with the enactment and implementation of the Renewable Fuel Standard. These higher food commodity prices are not unique to chain restaurants, but have been experienced by nearly every entity along the food chain, from poultry and livestock farmers on one end of the chain to chain restaurants and other retail food outlets on the other.

Several entities including the Congressional Budget Office, USDA Economic Research Service, Congressional Research Service, World Bank and National Research Council have all implicated the RFS in the recent climb in food commodity prices. Moreover, numerous academic studies have done the same. I won't recount all of these here.

I will, however, note one study specific to the chain restaurant industry. My organization was not content to simply rely on the conclusions of the many experts who had conducted research into the RFS' effects on commodity prices, so last year we engaged a third party to determine whether the RFS is responsible for at least a portion of the higher food commodity costs experienced by the chain restaurant industry and, if so, to what degree.

We commissioned the independent firm of PricewaterhouseCoopers (PwC) to examine this issue. PwC reviewed existing private sector, academic, and government studies on the impacts of the RFS mandate on ethanol production and the price of corn and other commodities. They then combined these estimates with survey information on commodity purchases by chain restaurants to estimate the overall impact of the RFS on chain restaurant input costs.

PwC issued its findings in a report released last November entitled "Federal Ethanol Policies and Chain Restaurant Food Costs." I have copies of the Executive Summary from the report and I am happy to provide them to the members of the panel. The full report is available on our website at www.nccr.net.

PwC concluded that the conventional portion of the RFS mandate, when fully implemented in 2015, will raise chain restaurant food costs by up to $3.2 billion dollars a year, every year. And that estimate is prospective from 2015 onward. It does not even include all the years that the RFS has been in effect since its enactment.

For a typical quick service chain restaurant franchisee, that's an increase of about 10% per year, or $18,000 in higher food costs. For a typical casual dining restaurant, it represents a 9% increase, or about $17,000. But for many franchisees, the costs can be far higher.

To provide an example and bring these numbers into perspective, let me tell you about the experience of one individual chain restaurant franchisee. Ed and Judy Anderson own and operate, with their son, four Wendy's restaurants in Virginia. Mr. Anderson testified before the House Energy & Commerce Subcommittee on Energy & Power in July that he estimates the RFS to cost his restaurants up to $30,000 per year, per location. For his four Wendy's restaurants, that's $120,000 a year in higher food costs, which is money that the Andersons are not able to use to expand their business. Unfortunately, the Anderson's experience with the RFS is all-too-common.

In conclusion, we encourage the agency to go further than the proposed 2014 RVO, recognizing the very negative impact on food costs for American small business, farmers and consumers. Ultimately, Congress will have to address the long-term challenges created by the RFS, but in the interim we urge the agency to take every available step to further lower the mandate for 2014 and each year the RFS mandate remains in effect.