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Media Contact  
Debra Greenspan  
202-741-5573

## **Economists and Industry Leaders Disappointed at EPA's Refusal to Provide Relief From Food to Fuel Mandates; Call on Congress to Act**

WASHINGTON – Today, economists and leaders from the livestock, restaurant, beverage and food industries expressed disappointment at the Environmental Protection Agency's (EPA) decision to refuse an urgent request by Texas Governor Rick Perry for relief from the Renewable Fuel Standard (RFS) which is contributing to record food price inflation.

Federal law allows EPA to grant a waiver of the RFS ethanol mandate in the case of severe economic harm. On April 25<sup>th</sup>, Gov. Perry submitted a request to the EPA to reduce the RFS mandate by half – from 9 billion to 4.5 billion gallons blended into the national fuel supply in the coming year.

"We are deeply disappointed that EPA has failed to recognize the very clear signs that the food-to-fuel policy is causing severe harm to the economy," said George Watts, president of the National Chicken Council, which represents the nation's chicken production, processing and marketing companies.

"When food prices are rising and chicken companies are losing money because of high feed costs, it is outrageous that the federal government continues to require and even to subsidize the diversion of corn from the food supply into the fuel supply."

Joel Brandenberger, president of the National Turkey Federation, agreed. "This decision is going to have a major effect on our turkey producers who have been suffering the effects of more than one billion dollars in additional feed costs over the last two years," Brandenberger said.

"It is obvious that the Environmental Protection Agency did not consider fully the environmental and economic implications of their decision to deny this waiver from Texas Governor Perry. We are convinced that diverting feed stock into fuel will continue to have adverse effects, and it will have an especially hard impact on the family farmers who raise turkeys, the hard-working men and women who work in turkey processing plants and every American who has to pay for rising food prices. We call upon members of Congress and governors of states where rising food costs are affecting constituents to take a stand on this issue for all Americans," Brandenberger said.

"Diverting a third of our corn crop to ethanol production has driven corn and all feed prices up to levels that are severely impacting U.S. meat and poultry producers as well as consumers," said Jesse Sevcik, vice president for legislative affairs for the American Meat Institute.

"Our industry has already seen a contraction in production, resulting in smaller herd sizes and higher meat prices for consumers. Governor Perry recognized that a near tripling of feed prices would cost Texas livestock and poultry farmers greatly, put meat industry employees out of jobs and strain Texans' wallets. The same is true across America and unfortunately the decision by the EPA today ensures that

this will continue to be the case unless Congress acts to restructure the ethanol mandates, taxes and tariffs,” Sevcik said.

The decision comes as an increasingly vocal group of elected officials at every level of government are calling for a freeze of the RFS. In late July, Virginia Senators Jim Webb (D) and John Warner (R) sent a letter in support of a temporary waiver of the ethanol mandate to Administrator Johnson. In cities across the country, from Milwaukee to New York, resolutions to call attention to the deleterious effects of the ethanol mandate on consumer prices have been introduced.

“We are disappointed that the Environmental Protection Agency has decided to allow a policy shown to be harmful to the environment and businesses to continue,” noted Michelle Reinke, director of legislative affairs for the National Restaurant Association.

“Higher corn prices are creating a serious economic burden for restaurants and consumers. Along with a sluggish economy and high gas prices, restaurateurs are facing some serious challenges. With more than 13 million Americans employed in restaurants across this nation, we hope legislators will take up the cause of small businesses in their districts and states and call for an end to this mandate.”

Organizations came together on a conference call today to express their frustration at EPA’s unwillingness to grant relief from higher food prices. They argue that the RFS, along with tax incentives for blending ethanol into gasoline and tariffs on cheaper, imported ethanol, have distorted the market and helped drive record prices for corn and other grains. This translates into higher prices for food and animal feed, which means consumers pay more for eggs, milk, meat and poultry.

“The Bush Administration has missed a chance to immediately reduce food prices and, more importantly, to avoid the certainty of much higher food prices in 2009,” said Scott Faber, vice president for federal affairs for the Grocery Manufacturers Association.

“Congress and the next Administration must immediately restructure our food to fuel policies if we want to avoid runaway food inflation for many years to come,” Faber said.

Many supporters of the waiver request also note the environmental damage caused by food-to-fuel mandates.

“It is unfortunate but unsurprising that EPA has once again ignored a stark environmental reality,” said Lester Brown, president of the Earth Policy Institute.

“While the US holds fast to misguided biofuels policies, the rest of the world is catching on. Last month, the EU reversed its course and set a far lower target for biofuels in recognition of their unintended consequences. The US cannot afford to continue lagging behind on this issue, when food prices are rising and hungry people across the globe are suffering. Hopefully Congress can succeed where EPA has failed,” said Brown.

Some organizations criticized the decision for ignoring the adverse affects of these policies on both small businesses and blue-collar employees.

“EPA’s decision to deny the ethanol mandate waiver request from Gov. Perry will perpetuate and intensify an already serious situation for thousands of bakers across the US,” said Lee Sanders, senior vice president for government relations and public affairs at the American Bakers Association.

“Like many other Americans, America’s bakers and ultimately American consumers have been absorbing increased commodity and food costs for long enough. Wheat prices have risen at astounding rates over the last year, and it is not a question of our membership absorbing the costs, but how long can they sustain these market conditions. The EPA has missed its opportunity to change the direction of this misguided policy. The ABA will continue to call on legislative leaders to fix this broken policy and establish a balanced, common sense plan to address the American families’ ever- increasing costs for basic commodities” Sanders said.

Beverage producers have been suffering as prices for their ingredients have skyrocketed.

“While we agree that our nation must find creative ways to reduce our reliance on imported oil, we disagree that it should come at the cost of rising food prices for American families,” noted Craig Stevens, vice president for communications at the American Beverage Association.

“Specifically, we anticipate the rising cost of corn - due to its mandated diversion to fuel - will cost the beverage industry about \$2 billion this year. Although we are disappointed with the EPA’s decision, we continue to call on Congress to reduce or repeal the 54-cent per gallon tariff on imported ethanol, the ethanol blender’s credit and the Renewable Fuels Standard mandate. We stand ready to work with legislators on sensible, market-based approaches that can help reduce our oil dependence while not increasing food prices to consumers,” Stevens said.

#### **Key Statistics on Economic Harms of the RFS:**

-The food at home index of the Bureau of Labor Statistics’ Consumer Price Index increased at an 8.7 percent annual rate in the first half of 2008 compared to a 5.6 percent increase for all of 2007.

-Some poultry processors have been forced to shutter their operations after a 43% jump in feed prices from 2007 to 2008.

-Meat processors estimate that from 2007 to 2009, under the current RFS mandate, consumers could pay 25% more for some pork cuts and nearly 40% more for some beef cuts.

-In the United States, the index of prices received by farmers for all products increased by 34 percent from January 2006 to May 2008. The index of prices received for feed grains and hay, led by surging corn prices, increased 144 percent over that same period.

-Wheat acreage has decreased by almost 26 million acres since 1982 due in part to increased government-driven demand for more corn. With less wheat land, prices for the commodity will rise resulting in higher consumer prices for basic food staples such as bread.

-Expanding biofuel production increases the demand for corn and vegetable oils, increases prices of products that use them as ingredients, and increases prices of other crops that compete with corn and oilseeds for acreage.

-According to a study by Dr. Keith Collins, a former chief economist with the USDA, biofuels policies, if left unchanged, could increase retail food prices an estimated 23-35 percent above the normal increase in food prices that would occur over 2-3 years.