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OVERVIEW OF THE RENEWABLE FUEL STANDARD:

STAKEHOLDER PERSPECTIVES, DAY 2

WEDNESDAY, JULY 24, 2013

House of Representatives,  
Subcommittee on Energy and Power,  
Committee on Energy and Commerce,  
Washington, D.C.

The subcommittee met, pursuant to call, at 1:35 p.m., in Room 2123, Rayburn House Office Building, Hon. Ed Whitfield [chairman of the subcommittee] presiding.

Present: Representatives Whitfield, Scalise, Shimkus, Terry, Latta, Cassidy, Olson, Gardner, Griffith, Barton, Upton (ex officio), Rush, Barrow, and Christensen.

Also Present: Representatives Matheson, Braley, and Welch.

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Staff Present: Nick Abraham, Legislative Clerk; Gary Andres, Staff Director; Charlotte Baker, Press Secretary; Sean Bonyun, Communications Director; Matt Bravo, Professional Staff Member; Allison Busbee, Policy Coordinator, Energy & Power; Tom Hassenboehler, Chief Counsel, Energy & Power; Ben Lieberman, Counsel, Energy and Power; Chris Sarley, Policy Coordinator, Environment and Economy; Tom Wilbur, Digital Media Advisor; Kristina Friedman, Minority EPA Detailee; Bruce Ho, Minority Counsel; Ryan Skukowski, Minority Staff Assistant; and Alexandra Teitz, Minority Senior Counsel, Environment and Energy.

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Mr. Whitfield. I am going to call the hearing to order. As you know, yesterday was our second hearing on Renewable Fuel Standard. We had two panels of witnesses yesterday and we have our third panel of witnesses today. So I want to thank all of you for joining us today. And I will be introducing the members of the panel. But I would like to recognize the distinguished gentleman from Iowa, Mr. Braley, for the purpose of an introduction.

Mr. Braley. I want to thank you, Mr. Chairman, for holding the hearing and extending me the courtesy of introducing a friend of mine, a very distinguished Iowan, who is the first woman to be president of the National Corn Growers Association, Pam Johnson from Floyd, Iowa. Pam is a sixth generation farmer, who raises corn and soybeans with her husband, their two sons, and their young families. They also manage a seed business. And the thing that I noted most about her is she describes herself as coming from a long line of very strong men and women who have farmed for hundreds of years. And I think that says a lot about you. Welcome to the committee.

Mr. Whitfield. Well, thank you very much. And, Ms. Johnson, I thank you for being with us today. We do look forward to your testimony.

And at this time, I will introduce the other members of the panel. We are glad to have all of you. Mr. Bill Roenigk, who is the senior vice president of the National Chicken Council; we have Mr. Ed

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Anderson, who is CEO of Wen-Gap. And he is testifying on behalf of the National Council of Chain Restaurants; we have Mr. Chris Hurt, who is a professor at the Department of Agricultural Economics from Purdue University; and then we have Mr. Scott Faber, who is Vice President of Government Affairs for the Environmental Working Group.

And as you know, this is one of those issues where there is not a lot of complete agreement on. So we have heard a lot of different views. And we do look forward to hearing your views today. Each one of you will be given 5 minutes for an opening statement. And you will notice there are a couple of boxes on the table. And actually when the light turns red, that means stop. But if you are in the middle of a sentence, feel free to go ahead and complete it.

So, at this time, Ms. Johnson, we will start with you. And you are recognized for 5 minutes for your opening statement.

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STATEMENTS OF PAM JOHNSON, PRESIDENT, NATIONAL CORN GROWERS ASSOCIATION; BILL ROENIGK, SENIOR VIC PRESIDENT, NATIONAL CHICKEN COUNCIL; ED ANDERSON, CEO, WEN-GAP, LLC, ON BEHALF OF NATIONAL COUNCIL OF CHAIN RESTAURANTS; CHRIS HURT, PROFESSOR, DEPARTMENT OF AGRICULTURAL ECONOMICS, PURDUE UNIVERSITY; AND SCOTT FABER, VICE PRESIDENT OF GOVERNMENT AFFAIRS, ENVIRONMENTAL WORKING GROUP

STATEMENT OF PAM JOHNSON

Ms. Johnson. Thank you, Chairman Whitfield, and members of the subcommittee, thank you for the opportunity to testify about the impacts of the Renewable Fuel Standard on the Agricultural Sector. My name is Pam Johnson. I am a sixth generation farmer for Floyd, Iowa, where I raise corn and soybeans with my husband and two sons, and we raised hogs for 38 years. I currently serve as the president of the National Corn Growers Association. And here today I am the voice of the family farmer and give the perspective of the rural community to this panel.

NCJ was founded in 1957, and represents over 39,000 dues-paying corn farmers. And corn is possibly the most versatile crop in the world, and demand is at an all-time high. The RFS is a critical piece of our Nation's energy policy. It has created jobs, lessened our

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dependence on foreign oil, and improved the environmental footprint of our Nation's transportation fuels. In 2012, the RFS supported more than 300,000 jobs, displaced 465 million barrels of imported oil, and lowered gas prices by at least 89 cents per gallon. It spurred the development of advanced in cellulosic biofuels. In short, it is doing exactly what it was designed to do.

When the RFS was initially conceived, corn producers were facing significantly depressed prices, averaging \$2 per bushel. Between 1990 and 2006, producing corn was a losing business. As a result, grain farmers became reliant on government payments as a source of income and as a means of survival. This dynamic changed in part to the emergence of the ethanol industry and the certainty provided by the RFS. Now all commodity prices across the board have risen, and without the RFS, it is likely that the entire farm economy would be in a deep recession. There is opportunity once again in rural America. Our two sons and a growing number of young farmers have returned to the farm after college. Corn production has allowed our livestock industry, ethanol industry, and our communities to grow. Due to the tax revenues and job security that the RFS enables, my small community has a new fire station, a remodeled hospital, and my grandson's kindergarten class is large enough to need another teacher.

Much of the criticism that the RFS faces regarding food prices, food availability, and its environmental footprint, are exaggerated

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at best and blatantly false at worst. Because of the farm value of commodities represent such a small share of retail food prices, the impact of the RFS on food prices is indiscernible. Higher energy prices as a result of increased petroleum costs play much larger role. The World Bank found nearly two-thirds of the increases in food price since 2004 are the result of the increased price of crude oil. According to USDA, the farm share of the food dollar is 15.5 cents for 2011, this is below the average of 16.1 cents for the prior 18 years. The farmer is getting a smaller percent of the food dollar, therefore, it is unlikely that commodities prices or the RFS are large contributors to food price inflation.

Corn farmers have responded to demand by producing more corn on roughly the same amount of land. In the last 30 years, corn production has improved all measures of resource efficiency, land use, soil erosion, irrigation, energy use, and greenhouse gas emissions. I am proud to say that corn farmers work hard to be good stewards of the land and the environment. Our farmers continue to produce enough to meet increased demand for corn as food, feed, fuel, and fiber. We know the importance of seeking and embracing practices that will sustain the soil, to produce crops in the future.

Farmers have increased yields, produced more food, and avoided clearing additional acres of land. This has curbed greenhouse gases equal to a third of the total emissions since the industrial revolution.

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No other industry can claim to have done more. Not only has the RFS enabled our Nation to be more energy secure, some consumers have been given better and lower options at the pump. Last Friday, I filled my car at a station in Iowa with E-85. It was \$1.34 cheaper than E-10, as pictured on the screen. The RFS is enabling families to choose a gas that is cleaner for future generations at a fraction of the price. NCGA appreciates the subcommittee's work to understand our perspective. We strongly believe that the RFS is doing exactly what it was intended to do. It is successfully driving adoption of renewable-fuel alternatives to petroleum, supporting jobs across the country, and ensuring we remain a global leader in developing new energy sources here at home. I look forward to hearing the testimony from the other witnesses and answering your questions. Thank you.

Mr. Whitfield. Ms. Johnson, thank you very much.

[The prepared statement of Ms. Johnson follows:]

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Mr. Whitfield. And, Mr. Roenigk, you are recognized for 5 minutes.

#### **STATEMENT OF BILL ROENIGK**

Mr. Roenigk. Good afternoon, Chairman Whitfield, members of the subcommittee. Thank you for this opportunity to participate in this critically important and most timely hearing on the Renewable Fuel Standard. I am Bill Roenigk, and I am speaking on behalf of the National Chicken Council. The National Chicken Council represents companies that produce, process, and market over 95 percent of the chicken in the United States. About 40 vertically-integrated chicken companies that are federally inspected comprise the U.S. industry. Since 2007, all these companies, at times, have struggled financially. Some have struggled longer and more severely than others. Chicken companies have been economically squeezed for much of the past 6 years. Rising feed costs for much of the past 6 years have outpaced the ability of these companies to pass on the higher cost of feed.

At least a dozen chicken companies have succumbed to these severe cost price squeeze by ceasing operations or having to sell their assets at basically fire-sale values, in some cases, to foreign owners. The business disruptions directly affects over 25,000 family farms and more than 300,000 employees that are directly working for the chicken

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companies. Since the RFS was implemented in October 2006, the feed costs for chicken, turkeys, and eggs have gone up over \$50 billion. And that is not the total farm -- or feed cost, that is the additional feed costs that we have had to incur, and it has been an understatement to say that we have had a difficult time passing on that \$50 billion cost. More troubling than the higher costs actually is the volatility in trying to outguess the market. If you buy corn at \$8 and it goes to \$6 and your competitor buys at \$6, you are at a tremendous disadvantage in trying to compete in the marketplace.

The RFS statute and the Energy Independence Security Act of 2007 is not just broad and complex, as the chairman has indicated in his comments about the hearing, it is also a statute that has outlived its usefulness if in fact the conventional fuels component of the RFS ever did have any usefulness. The actual experience of implementing the RFS has, unfortunately, been very much as those of us in animal agriculture expected. Our negative expectations have for the most part been exceeded and exacerbated by the impact of shortfalls of the corn crops of the past 3 years.

The RFS clearly lacks flexibility when the corn crop falls short. The unintended consequences of forcing a move too far and too fast with corn-based ethanol have become overly clear and overly painful. It has also become overly clear and apparent that there is no workable or reasonable provision in the RFS to provide flexibility when the corn

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crop is severely inadequate to meet all the needs.

I also would like to point out that the "renewable" part of the Renewable Fuel Standard term is a misnomer. That is, "renewable" implies there is abundance of some natural resource that provides an unending supply of some product. Having to apply over 200 pounds of commercial nitrogen fertilizer to achieve a corn yield of 160 bushels an acre does not qualify in our estimation as being a renewable resource. If you did not apply that fertilizer, your yields would be cut in half; if you didn't apply them again the next year, you would be cut in half again. In short, the Renewable Fuel Standard, at least for the conventional biofuels part of is broken beyond repair.

It is imperative and important at this time that Congress take action to take a hard, critical look at the RFS. If Congress concludes as we do, the RFS cannot be fixed because it is broken beyond repair, then Congress must do the right thing. And I would recommend those who are interested in more information about the National Chicken Council's position that you go on the committee's Web site and look for our white paper we submitted in response to your call for the impact on agriculture. The National Chicken Council looks forward to working with the ask subcommittee and others in Congress to fix, if possible, this very broken legislation.

Thank you, Chairman Whitfield, and members of the committee for this opportunity. And we look forward to your questions.

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Mr. Whitfield. Thank you very much.

[The prepared statement of Mr. Roenigk follows: ]

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Mr. Whitfield. And Mr. Anderson, appreciate you and your family being here, and you are recognized for 5 minutes.

#### STATEMENT OF ED ANDERSON

Mr. Anderson. Thank you. Good afternoon, Chairman.

Mr. Whitfield. Be sure and turn your microphone on.

Mr. Anderson. Good afternoon, Chairman Whitfield, Ranking Member Rush, and members of the committee. My name is Ed Anderson. My wife Judy and I, with our son, Eddie, own a small Wendy's franchise with four restaurants in Virginia. We have 138 employees. I was also elected to the board of Wendy's Quality Supply Chain Coop, QSCC, a non-for profit purchasing coop owned by Wendy's restaurant operators like me. QSCC purchases the food for Wendy's and is staffed by experts who understand and help us interpret commodity markets. The National Council of Chain Restaurants asked me to be here to represent our industry. I have never done anything like this in my life, but I do have a responsibility to my employees, fellow franchisees, customers, the food service industry, and my family to make sure Congress knows a well-intended idea has turned out to be a very serious problem, and it is getting worse.

Judy and I are the face of American small businessmen and women. We have worked hard to build our business. But when Congress passed

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the Renewable Fuel Standard, it created a new burden for businesses like ours. Now restaurant owners and employees like us are being hit at a time when our economy can't afford it. I doubt many restaurant operators or our customers know that an EPA mandate on corn ethanol is at the root of food cost increases.

Based on several analyses, we are asking Congress to repeal the RFS because it is estimated to be costing us up to \$30,000 more per restaurant than we would normally pay. For our family business, that is up to \$120,000 a year in additional costs. That might not be a lot of money in Washington, D.C., but for me and many others in the restaurant business, that is a lot of money. If Congress repealed the RFS, it would level the playing field and over time, return normalcy to the food supply chain so everyone competes fairly and food becomes more affordable.

Last year, RFS proponents blamed the drought for high corn prices. This year, they are blaming it on oil prices. But a 2012 report by PricewaterhouseCoopers confirms what our analysis at QSCC already thoroughly studied. It is the RFS that distorts food commodity costs so much that restaurants, our suppliers, and consumers are forced to pay more than we normally would under market conditions.

Please understand we are not anti ethanol. We know if it wasn't for American farmers and ranchers, we wouldn't be here, and we support American agriculture. We get all of our beef and chicken from here

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in North America. But this mandate is making food so expensive that it is harder to continue investing in new or remodeled restaurants, which would create badly needed construction and restaurant jobs. I believe with all my heart that we live in the greatest country in the world. This country was built on the hard work and the ingenuity of those who were willing to risk it all to build something. Removing the mandate for ethanol allows to stand on its own. Capitalism allows us all to adjust and be successful.

Let the natural market dictate the cost of ethanol, not a mandate. We can't pass these costs on to our customers. They are already struggling in this economy, and their own food costs at grocery stores have also gone up because of the RFS.

We are appealing to Congress to thoroughly study the issue like we have. Please listen to all sides and consider all implications. Then you will understand why repeal is the best solution. Recently, an educational campaign was launched called "Feed Food Fairness, Take RFS Off the Menu." It is led by the National Council of Chain Restaurants and supported by a coalition of small business owners, operators, franchisees, and many others in the food supply chain to urge Congress to repeal the RFS.

We believe the RFS must be repealed because we are concerned that if, for example, just the corn ethanol mandate is eliminated from the RFS, it would simply be replaced with some other food crop, and we would

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be right back where we are today. What sounded like a good idea has had serious consequences and artificially driven up the price for food both at home and in our restaurants.

Judy and I are the kind of people that make up much of the chain restaurant industry. We are here as small business owners, as employers, and as a family to bring attention to this issue and ask Congress to take action for all of us. Thank you.

Mr. Whitfield. Thank you, Mr. Anderson.

[The prepared statement of Mr. Anderson follows: ]

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Mr. Whitfield. And Professor Hurt, you are recognized for 5 minutes.

#### STATEMENT OF CHRIS HURT

Mr. Hurt. Thank you for the opportunity to provide some comments on the impacts of the RFS to date and to discuss the future direction of the RFS and its implementation. Out in the Midwest, we view what happens to the RFS as one of the most important drivers of the entire farm economy. The RFS really does matter to U.S. agriculture. I am here today as an agricultural economist from Purdue University. That is the land grant college of Indiana. And I am here to represent U.S. agriculture broadly and not to have any advocacy position on the RFS.

Some call the current high farm commodity price period the "biofuels era." I think it is a little bit of a mistake to believe that the RFS was the sole factor that caused the amount of changes in prices we have had. And those have had major impacts as you have already heard on different sectors.

We really have had two major things that changed that drove the demand so much higher for agricultural grains. One of those was clearly the biofuels. There we saw the massive increase in acreage, a lot of new demand for acreage, for corn, that increased about 16 million acres in the United States. That was a very large surge in

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demand. But there was a second very rapid surge since 2005, and that has been the growth of incomes in China and resulted in purchases of soybeans here in the United States, the additional purchases required about 13 million additional acres. All these factors have been built into higher grain prices. If we just look at the acreage impact, 16 million acres on corn driven by RFS. And 13 million on soybeans, it is about 55 percent of the acreage, higher acreage was driven by the -- directed by the RFS.

So in some way, I think the RFS did have increased -- the increase for corn ethanol was very rapid, maybe a little more rapid than U.S. farmers could supply. And clearly, we have had supply problems, as was mentioned already. But the soybean purchases from China are also part of this explosive price period.

Certainly, RFS has, as you have already heard, provided positive benefits for some sectors, the grain producers and farm landowners, especially. And it has been negative for people who are end-users and obviously the animal producers we have heard from, food consumers we have heard from, and those that are involved like restaurant industry. In the farm sector, U.S. farm incomes shot from \$79 billion in 2005 to a record 128 billion estimated by USDA this year. Even more startling is farm land values have risen about 150 percent during this time period, since 2005, and that is, really, a very large number, approaching \$1 trillion of extra real estate value in farmland. \$866

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billion higher land value, real estate value for farms in 2013 versus 2005.

The downside, of course, was felt by those users of grains. Prices of feed shot higher for the animal industry, as you have heard. And the animal industry cannot immediately pass that on. The prices are determined by their supply that year; when they had much higher feed prices, they can't pass it on. They absorbed that in losses in their margins, as you have already heard. And then eventually those losses discouraged some people. We have then a reduction in the amount of food available.

I looked at the -- some of the meat sector. Per capita availability of meat has gone down, since grain prices went up at about 5 percent this year, per capita supplies of chicken and turkey; pork availability is 6 percent lower, and beef supplies in the United States are down 14 percent since we had that cheap corn.

So, clearly, we look at that. Consumers have less food availability to choose from at higher prices. They are definitely losers. Retail food prices have been mentioned. They have risen about -- food has risen about 1 percent faster than the core inflation rate. And again, as is mentioned, it is the commodity portion of the food that we would relate to, the RFS, so it is a smaller portion.

Certainly the RFS has some major issues coming up. The blend wall I am sure you have talked about. We have a really slow start towards

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E-15 and E-85. We have tiny cellulose production, which was supposed to be the direction we were going at this point. And other issues.

Let me conclude then by saying crop farmers, I think, would like to maintain conventional ethanol levels about where they are today. I think they can reach the 15-billion gallon level that is slated. Our problems really are over on the cellulosic side.

And in terms of oil seeds, we can see some further increase in oil seeds. This might be like soybean oil. But I think the bottom line is what we would like the agricultural sector is to see some stability, as corn growers have indicated. We would really like to see, from the end-user side, we would like to see that there not be legislative mandates that increase the demand beyond the ability to supply that. So that we look at the supply, how quickly can supply grow. And if we are going to have mandates that those mandates, not increase demand quicker than supply. I look forward to any questions you have. Thank you.

Mr. Whitfield. Thank you.

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[The prepared statement of Mr. Hurt follows:]

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Mr. Whitfield. And Mr. Faber, you are recognized for 5 minutes.

#### STATEMENT OF SCOTT FABER

Mr. Faber. Thank you, Mr. Chairman, Ranking Member Rush. And thank you, members of the committee. I am the last witness on the last panel. So I will be brief, and I will take to heart Mr. Shimkus's command to listen and be constructive. I think that is exactly the right mindset to bring to this issue.

Mr. Whitfield. Would you mind just taking your microphone a little closer.

Mr. Faber. Absolutely. I will do whatever Mr. Shimkus says. So I do think it is time to -- and we have heard this over the last 2 days -- it is time to recognize that the RFS is producing too many biofuels that increase greenhouse gas emissions, that increase food prices, that pollute our air and water, and not enough of the good biofuels that really help hold the promise of not pitting our energy needs against our food security and environmental needs. And it is important to look back and remember that the RFS was once heralded as a way to combat climate change. But according to EPA's own analysis in their 2010 Regulatory Impact Analysis, the RFS has actually increased greenhouse gas emission by encouraging farmers for plow up millions of acres of land, releasing carbon into the atmosphere and

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releasing nitrous oxide emissions into the atmosphere.

Again, according to EPA's own analysis, the rapid expansion of corn ethanol increased greenhouse gas emissions in 2012, and will continue to increase greenhouse gas emissions for years to come. And that is because most corn ethanol is either produced in a natural gas fire dry mill ethanol plant, which, according to EPA, increases lifecycle greenhouse gas emissions by 33 percent when compared to gasoline, or in a coal fire dry mill ethanol plant, which increases greenhouse gas emissions, again, according to EPA, by 66 percent when compared to gasoline. But that is not all. As farmers have applied more fertilizer to millions of acres of new crop land, the RFS has also increased the amount of fertilizer that winds up in our rivers and streams that, in turn, increases the cost of treating our drinking water. It has increased the amount of water that is used in many drought-stricken States. It has increased emissions of air pollutants, like particulate matter and ozone, and, as we have heard on this panel, increased food prices for consumers.

That is the bad news. I think the good news is that many second-generation biofuels hold real promise because many of these fuels convert wastes, not food crops, into fuel. Unfortunately, as you heard yesterday, the marketplace is saturated by corn ethanol, blocking the commercial development of these much more promising fuels. And so we believe that in order to allow second-generation fuels to

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gain a foothold in the marketplace, Congress must reform RFS to phase out the corn ethanol mandate. There is simply no reason to think that RFS as currently designed is providing sufficiently powerful incentive to develop these new fuels. In fact, all of the evidence suggests that RFS is failing to deliver on that promise. Over the last year alone, EIA has, on three separate occasions, revised downward its estimates for cellulosic ethanol production in 2022.

At a minimum, Congress should level the playing field for these second-generation biofuels by making corn ethanol subject to the same high greenhouse gas reduction standards as second-generation biofuels. Right now, as I mentioned, most corn ethanol production is completely exempt from any of these greenhouse gas reduction standards. So they are, again, completely exempt from meeting these greenhouse gas reduction standards under the 2007 Act. And according to EPA's 2010 Regulatory Impact Analysis, increasing greenhouse gas emissions.

What is more, phasing out these food-to-fuel mandates would, as you have just heard, create a level playing field for livestock operators, for food manufacturers, for restaurant owners, who are paying more for food and feed.

I would like to just close by thanking you for reviewing these issue. We have now had many years of experience with the RFS. I applaud you all for recognizing that now is the time for reform, and we do look forward to working with you to come up with constructive

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ways to help bring these promising second-generation fuels to the marketplace. Thank you.

Mr. Whitfield. Mr. Faber, thanks very much. And thank all of you for your testimony. We appreciate your taking the time to be here.

[The prepared statement of Mr. Faber follows:]

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Mr. Whitfield. I am going to recognize myself for 5 minutes of questions. We actually have votes on the floor. And, unfortunately, there is like eight or nine amendments. It is going to take some time. So I know members are interested, have a lot of questions. I will go and ask mine now and maybe we will get to Mr. Rush. And then hopefully, you all can go down to the cafeteria and have a sandwich or something for an hour. But I do apologize in advance for this inconvenience.

As I said, we have had a number of hearings on this. And it is a complex topic. Initially, when the Renewable Fuel Standard was adopted, there were three basic reasons for doing so. One was less reliance on foreign oil, the second was to revitalize the rural areas, and the third reason was to reduce greenhouse gas emissions. And so the question I would like to ask each one of you is, if those were the three primary reasons given for the adoption of Renewable Fuel Standard, the International Energy Agency recently said that within a short period of time, 5, 6 years, America will be the number one oil producing country in the world because of recent finds in new fields like the Bakken Field, which means that one of the reasons for this standard, being less dependent on foreign oil, seems to be less important.

The second reason is that we reduce greenhouse gases. Well, Mr. Faber, in his testimony, points to studies. And I will just read from a few of them here. "Researchers found that the cumulative

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greenhouse gas emissions caused by corn ethanol for the period between 2015 and 2044 will be about 1.4 billion tons, or 300 million tons more than emissions from an energy equivalent of gasoline." And they say that actually EPA's original research was wrong. And then it says, "The National Academy of Sciences found that overall production and use of ethanol was projected to result in increases in the pollutant concentration. Those projected air quality effects from ethanol fuel would be more damaging to human health than those from gasoline use." And I could go on from there.

Now, I am from a rural area. And I could tell what you what, every time I go home, our corn growers, our soybean growers there are thrilled because great yields, good prices, and the economy is going strong. But if the validity of doing a program like this, as complex as it is, only one reason given initially still appears to be out there, I would ask each one of you if you could just give me your view on, since we are only fulfilling now it looks like maybe one of the original intents of the standard, of why should we continue it? And, Ms. Johnson, if you wouldn't mind responding, I would appreciate it.

Ms. Johnson. Thank you for that question. Several things. We have data to prove that corn production alone has reduced greenhouse gas emissions by 36 percent. And we are doing that with new technologies and farming smarter and putting nutrients into the crop precisely using GPS and computers so that those techniques are helping

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on that end. And in the end, on the corn to ethanol, the EPA asked that corn ethanol reduced greenhouse gas emissions by 20 percent by 2022, and the corn ethanol business has already met that.

Mr. Whitfield. So, Ms. Johnson, sorry for interrupting. I have a minute and 24 seconds left. But basically what you are saying is that your studies indicate that there has been a reduction?

Ms. Johnson. Correct.

Mr. Whitfield. And what about the oil independence issue, as we produce more and more oil, what would you say to that?

Ms. Johnson. The amount of gallons of ethanol added to the fuel supply has reduced it. Yes, we are using less gas here. Yes, we have more gas here, but it is harder to get that kind of gas out of the ground, and the carbon footprint of that will be bigger also. So I think we have to look at going forward in the future these -- these products are still fossil fuels, and they are still, at some point, finite and we need to develop renewable fuels.

Mr. Whitfield. Mr. Roenigk, do you have a comment?

Mr. Roenigk. I would just observe what Dr. Hurt set about almost a trillion dollars increase in land values. That is great for the people who own that land, wanted to sell it. But if you are a young farmer trying to get into agriculture, and we do need some young farmers out there, we have raised a very high hurdle for them to overcome to continue to be in animal agriculture,

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Mr. Whitfield. But is it still your position it should be repealed?

Mr. Roenigk. Our position, there needs -- if we cannot put flexibility into the program, then we need to fix it. And if we can't fix it, then we need to repeal it.

Mr. Whitfield. Mr. Anderson.

Mr. Anderson. Thank you. I am just a small businessman. So when we talk about these other things, it is very difficult for me. But on a daily basis, the thing I can speak about is I have a responsibility to my 130-plus employees. And I know that the rising of the food commodity prices has put a severe impact on us, not only at the restaurant, but even in the grocery stores. And that has made it very difficult for everybody to pay higher prices for gas and for food at this time.

Mr. Whitfield. Mr. Hurt.

Mr. Hurt. Yes, I think there has been enough change that we need -- Congress should look at the Renewable Fuel Standard, and implementation is going to be very difficult given the high amounts of additional biofuels that are to be produced.

Mr. Whitfield. Mr. Faber.

Ms. Faber. I would just add that it is not EWG's view, it is both EPA's view and the National Academy of Sciences' view that the corn ethanol mandate has increased greenhouse gases. They wrote in 2011

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that, "regardless of whether the co-product is sold wet or dry, corn grain ethanol has life cycle greenhouse gas emissions higher than gasoline in 2012 and 2017." So I think we don't need to get into this fight of dueling studies. The experts, EPA and the National Academy of Sciences, have already drawn the conclusion that especially in the short run when we need greenhouse gas reduction the most, corn ethanol is increasing emissions by increasing the amount of carbon that is released into the atmosphere.

Mr. Whitfield. Thank you very much. And now, Mr. Rush, would you like to ask questions now or do you want to come back?

Mr. Rush. I think it would be appropriate given the fact that we have got, like, seven votes left.

Mr. Whitfield. Okay. I know a number of members have questions for you all. And I do apologize. But if you don't mind, we do need to go vote. There is going to be seven or eight votes. It may take 50 minutes, 55 minutes. So if you all would come back at about hour from now, we would genuinely appreciate it. With that, we will recess the hearing for one hour. Thank you.

[Recess.]

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DCMN ROSEN

[3:11 p.m.]

Mr. Whitfield. At this time, I will recognize the gentleman from Colorado for 5 minutes of questions.

Mr. Gardner. Thank you, Mr. Chairman, and I appreciate the witnesses' time and their time for being here. Yesterday, the witnesses were able to provide entertainment, insight, arguments, and a lot of good information on the impact of renewable fuel standard on fuel production sales and usage.

Today, I thank you for the opportunity to talk about the impact it has on agriculture, on food prices around the country. And I mentioned yesterday about my district's strong agricultural sector, not only some of the Nation's leading corn producers on the county basis in the country as well as farmers and ranchers throughout Colorado, and the 4th congressional district, the 11th largest ag district out of the 435 districts here in Congress.

And to William Roenigk, is that Mr. Roenigk?

Mr. Roenigk. Yes.

Mr. Gardner. Of the National Chicken Council. I asked a similar question yesterday to Bob Dinneen, president of the RFA. Could you talk about the coke product from ethanol product to distill his grains,

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how they impact livestock operators that you represent?

Mr. Roenigk. Yes, thank you. Great question. You are referring to DDGs?

Mr. Gardner. Yes.

Mr. Roenigk. It is a great product if you are ruminant. If you are a chicken cattle, dairy cattle, but if you are single stomach animal like poultry and hogs, doesn't work so well, and even works less today than it did a few years ago. Now the technology is such that they are able to take the oil out of the DDG. So, before there was some energy from the oil, but now that energy is gone, and so for poultry, very difficult to really get much benefit from DDGs, and so we use a very limited amount, in most cases, less than 5 percent. Having said that, it is good that the -- our competitors in large animals can use it and take some of the pressure off the corn market.

Mr. Gardner. And your conversation as livestock operators, they believe that DDGs have actually helped with their profitability; is that correct?

Mr. Roenigk. Yes, I would be -- yes, I would agree.

Mr. Gardner. Ms. Johnson, to you, I got my start in Congress actually as an intern working in the Corn Growers Office, which now, right now represents 24th highest producing corn district in Congress. In your testimony you talk about how the RFS has benefited rural communities. Can you elaborate on what has happened to farm income

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in the United States since we adopted the RFS in 2005?

Ms. Johnson. Sure. As I say in my written testimony, before the days of the RFS, farmers were facing prices of \$2 corn and below, and so actually, as corn growers, we got together with other entrepreneurs and decided what we had to do to develop markets, and ethanol looked like it was promising growth because we were fulfilling our needs to the domestic livestock industry and our exports, and so we needed a new market. So, it has been very important to us to help work with that and develop it.

Mr. Gardner. Thank you. Talk a little bit again about what has happened with government payments to farmers in that same time period.

Ms. Johnson. Sure. Well, at that time, you know, unfortunately, we had to get half of our income from the government just to be able to survive, and some of us that are old enough like me have been through the 1980s and we have seen what that can do to farms and farm families. So, now we are able to get our income from the marketplace.

Mr. Gardner. And, in your testimony, you talk about RFS impact on food prices. Mr. Hurt has made some comments about that as well. Would you -- would you further elaborate on that a little bit?

Ms. Johnson. Sure. As the Secretary of Agriculture, Tom Vilsack has said it, at this time, you know, the American consumer can leave the grocery store with more money in their pocket even with food

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prices today the way they are, and have more disposable income to spend on other things. And corn gets \$0.03 out of the food dollar that the consumer has to spend.

Mr. Gardner. And can you talk about that a little bit. I think in your testimony, you talk about how it was \$0.16 of every dollar spent, the farm share being \$0.15 now lower. Can you talk a little bit about that impact?

Ms. Johnson. Sure. So, for the food dollar, 84.5 cents goes into marketing, or the petroleum cost to get that food product to market, and of that dollar, then the 15.5 cents, as you say, goes to the farm, and of that, only \$0.03 can be attributed to what the corn price is in that product, whether it is hamburger or chicken or beef or pork.

Mr. Gardner. And you know, there are various biometric requirements within the renewable fuel standard, and do corn growers, your organization supportive of new biofuels and cellulosic ethanol coming to the market?

Ms. Johnson. We do. As was said earlier that we are blocking cellulosic and new biofuels coming in, that couldn't be further from the truth. We welcome them, and we think that corn ethanol is the basis and the foundation of that happening, and with the RFS, that provides the incentive that there is certainty, just like when corn ethanol started out, that those industries can build on that and have innovation

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and technology coming to improve and start the next generation.

Mr. Gardner. Thank you. And Mr. Chairman, I yield back.

Mr. Whitfield. Gentleman yields back. At this time, I recognize the gentleman from Illinois, Mr. Rush, for 5 minutes.

Mr. Rush. Thank you, Mr. Chairman. Following up on my friend from Colorado's line of questioning. The issue of providing food costs is an issue that I am extremely sensitive to. I represent a district with some of the highest rates of both poverty and unemployment in the Nation, and making sure that my constituents can afford to put food on the table is of the highest concern for myself.

In various meetings regarding the RFS, my office has received some conflicting information on the impact that this policy has had on food prices. Some have insisted that the RFS has helped to raise food prices due to the use of corn ethanol, while others have stated in writing, energy costs have played a much larger role in raising food prices.

During today's panel discussion, in fact, Mr. Dinneen stated and showed a pretty convincing slide -- yesterday's panel, rather. Mr. Dinneen showed a pretty convincing slide demonstration that the year end global food prices and global fuel oil prices rose and fell almost simultaneously between the years 2000 to the present.

And I want to ask all the panelists today, as I understand it, as many witnesses confirmed yesterday, the RFS has actually helped to reduce fuel costs, at least in the transportation sector. I want to

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learn more about the impact that repealing the RFS would have on food costs, if any?

So I want to go down the line and ask each of you to briefly share your views on what has been the greatest impact on food costs, the RFS or rising energy costs?

Separate question. What impact would repealing the RFS have on the price, the price that Americans pay for food?

So I am going to go down the line, beginning with you, Ms. Johnson. Can you answer those questions?

Ms. Johnson. Thank you very much. We believe that it is the rising cost of fuel that is costing people more for their food dollar. There is a high correlation between the price of a barrel of oil and what people pay for food because as transportation costs go up, and we believe that the impact of removing that would be deleterious to your constituents also, because the average family saves \$1,200 a year out of their family budget by reduced fuel prices because of having ethanol at the pump, \$1.09 per gallon on the average to save. And I buy both food at the -- groceries and fuel for my family, and as corn prices have gone down this year 30 percent, I have yet to see food prices come down 30 percent. So, we will see if they do, and then we will decide if there is a correlation between the two.

Mr. Rush. Mr. Roenigk.

Mr. Roenigk. Yes, thank you for the question. With all due

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respect to Ms. Johnson, I would like to suggest the following example. She is making so much per acre on growing corn, but let's say Green Giant came to her and said, okay, I would like you to grow green beans for us. I suggest that Ms. Johnson would say, I am making this much on corn. If you want me to grow green beans, I need to make at least that much on green beans.

So when corn says we only increase food a little bit because we are only so much of the market, it is not just one boat in the harbor. It is raising all the boats in the harbor. So you have to look at all the food costs. Corn competes with all the other crops. If you are a farmer, you are going to produce what is most profitable, and if somebody else wants you to produce something other than corn, it has got to be least as profitable, or more so. So the argument needs to be much broader than just what is the cost of corn.

Mr. Rush. Mr. Anderson, do you have anything that you want to add to this?

Mr. Anderson. Yes, sir, Congressman. There are a couple of things.

One, you know, when we talk about the increase in food, I can tell you that the Bureau of Labor Statistics states that from 2005 to 2012, that food has outpaced core inflation during that time, 25 percent to 16 percent. When we talk about the price of higher food, I can tell you that I come here and can tell you that, in my restaurants, food

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has increased for the last 5 years. In a QSCC, which is the Quality Supply Chain Coop at Wendy's, they study it every day, and that is a fact, as far as we are concerned.

Additionally, it impacts everybody because, as was just stated, whether it is corn -- too much corn being planted, then it takes away from soy beans, so then the soy bean price go up. So, the cost to consumers has gone up significantly and the cost for us in the restaurants has gone up significantly for the same reasons. Thank you.

Mr. Rush. Thank you. Mr. Hurt.

Mr. Hurt. My evaluation would be that there has been a direct correlation. RFS has raised food prices. There is always a question of what is the magnitude. I think the direction is on the upside. We have seen food inflation be about a percent higher than the core inflation per year on average. Our evaluation is about half of 1 percent a year as related to the commodity food portion of that, kind of the farm value of that.

As we work that through, that ends up being about \$7 billion a year on our food system. We have a very large food system and that there are some additional higher costs. Energy is also very important in that, and splitting those out, exactly which one is the bigger contributor, I am not well qualified, but I think they both have been positive.

I would also mention that food inflation, I would expect to now

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drop below the core inflation. We have a good crop in the United States finally here in 2013. We are going to see moderation in some of these basic food prices like our corn, soybeans, wheat. That is going to help to begin the process of moderating food price inflation even more.

Mr. Rush. Thank you. Mr. Faber. Thank you, Mr. Chairman.

Mr. Faber. I would just add that there are many factors that are contributing to food inflation. When USDA chief economist Joe Glauber was here a month ago, he attributed about a 30 percent of the increased price of corn to the RFS, but there are many factors that are contributing to higher corn prices and ultimately higher food prices, including energy prices, strong global demand for our commodities.

The RFS is one of the factors that Congress can control. So of all the things that impact the price of corn and ultimately the price of food, energy prices, the weather, strong global demand, the amount of ethanol that we blend into gasoline is one of the factors that we can actually change.

Mr. Whitfield. Thank you. The gentleman's time has expired. At this time, I recognize the gentleman from Illinois, Mr. Shimkus, for 5 minutes.

Mr. Shimkus. Thank you, Mr. Chairman. I think, since we are getting close to the ending of the whole panels, I think it would be instructive just to talk about ethanol and how it actually got developed. And everybody talked about 2005, but it wasn't in 2005 that

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developed ethanol into the markets. It was the Clean Air Act of 1992 because it caused the fuel to burn cleaner, it was tailpipe emissions, and that was the entry. It was also the entry with another product called MTBE, which eventually became a persona non grata because of some odor and discoloration, not toxicity but -- so MTBE got left, ethanol started going into that market for the Clean Air Act. So then it was 2005 that we made the transition of energy security, decreased our reliance on imported crude oil by having renewable fuels.

The environment has shifted quite a bit with our own ability to produce fracking and going through our depleted wells using new technology and getting more oil out of them, and that is kind of what stirred up this debate again.

But I think the basic premise is that in any business, and as the government has sent a signal, and you have made capital investment to respond to that Federal law, I think no one would be supportive of the government changing the rules to bankrupt those who invested private capital to meet the law of the national government. Is there anyone? No.

So, that is part of this debate, that we made promises, investment, private capital to build refineries. Ethanol refineries, a lot of times in rural America where they have nothing but fields, now they have got a little refinery there, it is paying taxes, as Pam has mentioned. So that is why we are trying to find the sweet spot

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in this.

Scott and I -- I appreciate your acknowledging that. We didn't get much of that yesterday, but we think we will as we move forward. But Scott, let me ask you, we understand the new world of cellulosic. There will be many of us who, and I think even my friends on the other side, it is going to be built on the foundation of corn-based ethanol. So I would hope that, if that is the future you-all want to go --

Mr. Faber. Yeah.

Mr. Shimkus. Your testimony says reduce. I don't think that is going to be -- that is going to pass the political scrutiny, but if it is, build on that future, then we have got an area we can work together.

Mr. Faber. Here is the challenge, and I think -- we see this problem the same way, and one of your witnesses made this point yesterday that I can't pour this jug of water in this cup, and that is fundamentally the problem with the RFS we have today.

Mr. Shimkus. But that is why we are trying -- that is why we are having this hearing. That is exactly why we are here.

Mr. Faber. But, and I think one of the things that was not said explicitly, but we all know, is that we will be in an E10 environment because of the engine and infrastructure hurdles for some time.

Mr. Shimkus. All right. My time is expiring, but you can't put 14 ounces in a 12-ounce cup.

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Mr. Faber. Right.

Mr. Shimkus. But that is where we need your help. How do we make these changes? And I want to go to Pam real quick, because I want to ask this question.

Can you, representing National Corn Growers, a lot of my friends, can you envision a modified RFS that avoids the near term pitfalls that would be acceptable to American corn farmers?

Ms. Johnson. Yes, I can.

Mr. Shimkus. Okay.

Ms. Johnson. And I think some of the problems that we are encountering now could have been avoided because when the law was written in 2005, we knew that one of the goals was to increase the level of blending renewable fuels. So part of that problem is a willingness to make sure that those renewable fuels are available.

So it comes as no surprise to me in 2013 that now -- it does not come as a surprise to me that we need to blend those fuels.

Mr. Shimkus. Right. And let me go to Mr. Roenigk real quick, because I want to get -- because I am from livestock sector, not chicken, we have the other white meat, which we are very proud of, and of course, DDGs are a big part of what they have done to offset their cost. Can you and the Chicken Council see a way in which, kind of the same question, and modify RFS that avoids some of these near term pitfalls?

Mr. Roenigk. We need -- excuse me. We need flexibility. It is

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clear that the current RFS doesn't have flexibility, and so we are open to reasonable alternatives that would provide for those situations where there is not enough corn and we can all share in that situation.

Mr. Shimkus. And let me finish on this, and just because my time is very close. Two articles when I was flying out talked about the high price of gas. Gas is going up again for a lot of reasons, and in both these articles, there was not a single mention of ethanol RINs. When you take the -- when you take this policy paper from the World Bank, May 2013, I read it here numerous times, it says this, it concludes that the most of the price increases -- this is about food increases, prices of food increases from the World Bank. It concludes that most of the price increases are accounted for by crude oil prices, more than 50 percent, followed by stock-to-use ratios and exchange rate movements which are estimated about 15 percent. Crude oil prices mattered most during the most recent boom period because they experienced the largest increase.

So, we can have this food-fuel fight all the time. It is transportation costs, it is crude oil, it is the barrel, and it is the truth.

So, Mr. Chairperson, thank you, and I yield back my time.

Mr. Whitfield. The gentleman yields back. At this time, I recognize the gentleman from Virginia, Mr. Griffith for 5 minutes.

Mr. Griffith. Thank you, Mr. Chairman. I appreciate it, and

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start with Mr. Faber.

Mr. Faber. Yes, sir.

Mr. Griffith. In your testimony, you state that the EPA's own analysis has since shown that the lifecycle greenhouse gas emissions of corn ethanol were higher than gasoline last year, 2012, and will be higher in 2017. So, the RFS was intended to introduce cleaner, more efficient fuels, and the largest existing component, by far, corn ethanol is less efficient and dirtier than gasoline, question mark; is that true?

Mr. Faber. That is correct. That is according not only to EPA's analysis, but the National Research Council's 2011 report as well as other studies that have looked at -- that have compared the greenhouse gas emissions associated with corn ethanol to the energy equivalent amount of gasoline.

Mr. Griffith. And that deals with the production costs and so forth, correct? Not just the burning of the --

Mr. Faber. In part, because of the carbon debt created by corn ethanol. When we encouraged farmers to plow up millions of acres of land to produce more corn, we released an extraordinary amount of carbon into the atmosphere. We applied a lot more fertilizer that went into the atmosphere in the form of nitrous oxide, which is 300 times more potent greenhouse gas than carbon dioxide.

And in combination, that has increased in the short run the

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greenhouse -- lifecycle greenhouse gas emissions associated with corn ethanol.

Mr. Griffith. All right. And, so should corn ethanol continue to be a part of the RFS from an environmental perspective? I understand there is always a balance.

Mr. Faber. If our goal is to reduce greenhouse gas emissions, and I think this goes back to Mr. Shimkus' point, we have to find room in the E10 pool for these promising cellulosic biofuels. If there is -- if I produced a cellulosic ethanol today that got a 50 or 60 percent reduction in greenhouse gas emissions, there simply would be no place in the pool because the pool is only 13.4 billion gallons and the corn ethanol industry has the capacity to produce 14.7 billion gallons. So I think we just need to create a foothold in the existing E10 pool for these new biofuels that really promise to deliver on greenhouse gas reductions.

Mr. Griffith. All right. Thank you.

Mr. Roenigk, last year we had a drought across most -- a big chunk of the country, bad weather scenario. I was one of those who asked the EPA to grant a waiver from the RFS. What, in your opinion, would it take for the EPA to recognize severe economic harm and waive the mandate? What kind of conditions do you think they would have to have?

Mr. Roenigk. I can't speak for EPA what it would take for them to do that, but it is difficult to imagine a scenario, short of a,

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whatever definition of a crisis is, but they have demonstrated that the current regulations, it is basically impossible to rise to that level.

Mr. Griffith. From your opinion, last year probably would have met the test; is that correct?

Mr. Roenigk. I think it came very close. It didn't go over that hurdle and EPA felt that wasn't enough, so I'm not sure what the situation is. I was pleased to hear Dr. Hurt, I won't say guaranteed, but basically say the corn -- corn is in the crib or in the bin, but those of us in the chicken industry have learned not to count the chickens and -- chickens till they are hatched.

And so I am hoping the corn is in the crib this fall and we can all perhaps breathe a little easier, but to go back to your question, I am not sure -- I can't speak for the EPA, but it is difficult to imagine under current rules what it would take for them to recognize that.

Mr. Griffith. All right. And Mr. Anderson, your restaurant group has been vocal about repealing the RFS. You were asked, you know, what factors were out there, you listed that one. Of course, transportation is a big one, too, but would I be wrong in saying that another cost driver, not only at your restaurants, but in the grocery field is the refrigeration of the food, and that is usually electric and the jump in electric prices has also been one of the concerns that are cost drivers for you-all?

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Mr. Anderson. It would be difficult for me to speak on that as far as specifics.

Mr. Griffith. Sure.

Mr. Anderson. What I can tell you is that, again, the cost of corn has impacted the proteins, which we use. You know, you have cattle, you have dairy cattle, you have got chickens, you have got the hogs, all of them use corn. You also, we use buns. All of these things have the food in it and it has impacted us dramatically in the cost of the products.

Mr. Griffith. And somebody mentioned earlier, and it may have been you. I apologize because I don't remember, but you know, if you raise the cost of corn, the soybeans -- it might have been you, Mr. Roenigk, but if you are producing more corn, then the price of soybeans goes up, that would be true for the wheat, too, when you referenced the buns, that is what you are talking about?

Mr. Anderson. Exactly. Because what would happen is, as corn goes up, more people want to plant corn. Well, if you plant more corn and there is only so many acres that can be planted, then there is less soybean and then less wheat, and so we have seen significant increases in soybean, and we use that to make our chili and other products, and obviously, our buns, which we sell quite a few of those also.

Mr. Griffith. All right. Thank you very much, and I see my time is up, and I yield back, Mr. Chairman.

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Mr. Whitfield. The gentleman's time is expired, and at this time, I recognize the gentleman from Louisiana, Mr. Scalise for 5 minutes.

Mr. Scalise. Thank you, Mr. Chairman. And again, thank you for having this series of hearings. This is the third panel that we have heard from, and a lot of really good interesting perspectives on the renewable fuel standard. I wasn't here in Congress when it passed and was updated, but I have seen and heard a lot of firsthand stories of the problems that it is causing, whether intended or unintended, but serious consequences that we are seeing throughout many parts of our economy, and again, it is still in the early stages as we are approaching the blend wall, by all estimates, by next year, or at the latest, you know, at the end of next year, we would be hitting that blend wall, and then you have even deeper problems.

And so that is why we are here is to talk about, you know, what those problems are and then solve this problem. And I know I support legislation that would solve it by repealing the mandate because clearly it is not working the way it was intended. But when we get to some of the points that have come up in some of our earlier panels, we had, in our first panel yesterday, we had a gentleman who talked about the impact on the price of food, and I know some of our panelists here testified about how RFS, one of its intended or unintended consequences, and an increase in food prices that you are experiencing,

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one of our panelists said that the -- I think his quote was the impact of the renewable fuel standard itself on food prices is indiscernible. And I would like to, Ms. Johnson, get you take on it, and then also ask Mr. Roenigk and Mr. Anderson as well, because I know you each have different perspectives on it, but that was one of the panelists yesterday.

Ms. Johnson. Thank you for the question, and we can get you more information from the consumer price index, but some of the data that we have, if corn is \$6 a bushel, the corn equivalent in that is \$0.27 for a pound of beef, \$0.38 for a pound of pork, \$0.27 for chicken, if it drops down to \$4, which it is heading there, we had rain across the midwest, as Dr. Hurt said, and we are below --

Mr. Scalise. Would you agree or disagree when he said that the renewable fuel standard itself had no impact or an indiscernible impact on the price of food?

Ms. Johnson. It had some impact, but the greater impact is from the price of a barrel of oil and energy prices, and we can get you the data on hamburgers, chicken, pork, milk, eggs.

Mr. Scalise. Well, let me ask the chicken -- the chicken man, Mr. Roenigk. I apologize if that's --

Mr. Roenigk. That is fine. I appreciate that.

Mr. Scalise. If you can give me kind of your perspective on what you have seen.

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Mr. Roenigk. Sure. The rule of thumb is, if a bushel of corn goes up \$0.30 a bushel, you have added one penny to the cost of producing a live weight chicken. And the same way on soybean meal. If a ton of soybean meals goes up \$30 a ton, you have added \$0.01 to the increased cost production of producing a live chicken, so that is the rule of thumb. It is a pretty direct correlation, and there is not a whole lot of substitutes, and you -- if you want to produce chickens and you got them in the field, you got to feed them and you absorb the cost or try and pass it on.

Mr. Scalise. Let me ask you, Mr. Anderson, because in your testimony, I think it is the closest thing I have seen to an exact number, to a rough estimate of a dollar figure that has been attached to increase in the cost of food to consumers by the renewable fuel standard. Taking out fuel, and you know, there are all other factors going in, but the renewable fuel standard is one of those factors. I don't see a lot of people disputing that it is, and so, you know, if it is, then there has got to be an amount attached to it.

What you are saying is the amount that you are seeing at your stores is \$30,000 more expense of food due to the renewable fuel standard; is that right?

Mr. Anderson. That is correct. And just to tag on right there, it takes 8 pounds of corn to make 1 pound of beef, so you can imagine as the price goes up, what that does to the cost of beef.

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Additionally, it wasn't just us that came up with the \$30,000, you know. We would be happy to provide the 2012 report by PricewaterhouseCoopers that confirmed what our analysis at QSCC was already thoroughly studying, and that is the fact that the RFS does distort food commodity prices so much, that whether you are a restaurateur, a supplier, or a consumer, that you are forced to pay more for the price of food.

Mr. Scalise. Thank you. And you know, and I mean, this is passed on to consumers. I would imagine, you know, it is not just like, okay, it is another 30 per store, 30,000 per store, and that is just money that comes out of the sky. I mean, that is money that somebody let goes, and goes to a restaurant, they are going to have to be paying more money, in essence, \$30,000 per store more that is going to cost consumers, every store, and these are real prices that are affecting people.

One last thing I want to mention is, you know, we had somebody testify yesterday about the impact on -- from Briggs & Stratton, impact on motors, one of the many other detriments that are coming if you get to E15. There are many tests that have been run by not third parties, but the actual companies that make some of these motors and engines that have seen and experienced tremendous damage to engines, and I don't know if anybody wants to comment on it, dispute it. I have heard nobody dispute that, but that is a serious consequence that has been out there,

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real testing that has been done that is a detriment that many consumers are facing, and frankly, are very concerned about when they see this coming down the road.

Mr. Anderson. Congressman, may I respond to the price increase piece. The fact is that we can't pass these costs, these additional costs onto our consumers right now. And there is two reasons right now: One, they are already strapped by paying a higher price for food and for gas.

Mr. Scalise. Because they are paying it, too, at the grocery.

Mr. Anderson. Exactly. Secondly, we are in an extremely competitive market, and people will vote with their feet on price increases. So this is something that has been very difficult for us, and we have just had to absorb this increase, a significant portion of it.

Mr. Faber. Congressman, we carefully looked at these engine effects issues, and clearly, most of the engines for boats, lawnmowers, augers, chainsaws, small engines are simply aren't equipped to run on higher blends, and the cost of having to convert all of those engines would be enormous. So, it seems to me that our focus ought to be how do we -- how do we bring more advanced biofuels to a market that can compete fairly for that pool of E10, that E10 pool and not try to force every consumer and every car owner in America to switch engines in order to meet the needs of one particular industry.

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Mr. Scalise. Why we need to stop. Thank you. Mr. Chairman, thank you, I yield back the balance of my time.

Mr. Whitfield. The gentleman's time has expired. At this time, Mr. Braley and Mr. Matheson are on the Energy and Commerce Committee. They do not happen to be on this subcommittee, but both of them have been so focused on the renewable fuel standard that they come to these hearings, and we give them an opportunity to ask questions, so I recognize Mr. Braley for 5 minutes.

Mr. Braley. Thank you, Mr. Chairman. Is anyone on the panel a history buff, by chance?

All right. Mr. Faber, Mr. Anderson, have you heard of something called "The Whiskey Rebellion"? I am going to pit the chairman against Mr. Scalise with this question, so I want you to pay close attention.

Isn't it true that we have been refining corn in this country a lot longer than we have been refining petroleum?

Mr. Faber. People have been refining corn to produce ethanol since the Persians, absolutely.

Mr. Braley. So, when we talk about some of these issues, and we are talking about these trade-offs, I think it is important to keep that in perspective, because when you talk about the trade-off, Mr. Roenigk, between growing green beans in Iowa and corn in Iowa, you are talking about a false choice, because people grew corn in Iowa for over 150 years before ethanol plants started appearing on the prairies. You

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knew that. And they grow corn in Iowa because the climate and the soil conditions make it very conducive to growing corn, and it is much more conducive than growing green beans. And one of the things that we have to focus on in this hearing is the actual trade-offs that make a difference to the people in this country.

One of the things that you talked about in your testimony, Ms. Johnson, is how the National Corn Growers are not opposed to new generation biofuels that can take us beyond corn-based ethanol, and in fact, one of the things that we have been talking about is the demand that corn ethanol production places on the cost of food for livestock, and yet one of the byproducts of ethanol production is distiller's grains, which are used by many livestock producers as a feed source.

So, that is one of the benefits that comes from ethanol production, and another thing that can happen is, as we move to cellulosic ethanol, when in fact there are two ethanol plants in Iowa that are cellulosic-based, then you use corn stover and the byproducts of the corn stock to generate biofuels as well, correct?

Ms. Johnson. Right.

Mr. Braley. One of the things that you mentioned was this photograph that was up on the screen showing the prices for E85 ethanol in St. Ansgar, Iowa, which is in my congressional district, 2.24 a gallon, which is a clear benefit to consumers who are interested in using advanced biofuels. And I just happened to check, in addition

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to that price in St. Ansgar, you can buy E85 for 2.39 in Westside, for 2.49 in Riverside and Neal and Urbandale, Iowa, so this is a product that is already reducing the cost of fuel for consumers in our state, correct?

Now, one of the things that we talked about was the trade-offs that are impacting the price of food. And Mr. Anderson, you grew up in the Garden State of New Jersey?

Mr. Anderson. Yes, I did.

Mr. Braley. You did. And you talked about the impact of rising corn acres on soybean planting and the loss of acres to soybeans. Do you remember that?

Mr. Anderson. Yes.

Mr. Braley. Have you ever been a farmer?

Mr. Anderson. No, I have not.

Mr. Braley. Worked on a farm? Do you understand the concept of crop rotation in States like Iowa and Illinois where Mr. Shimkus lives, and Nebraska. They call themselves the Corn Husker State, but nobody is husking corn there anymore that I know. Do you know what crop rotation is and why farmers alternate between corn and soybeans?

Mr. Anderson. Yes, sir.

Mr. Braley. It is to replenish the soil by putting nitrogen back in if it is taken out by the corn crop, and that is why in States like ours you see large acres of production of corn and soybeans. And one

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of the things we know about soybeans is that they are used to also generate a renewable fuel called biodiesel. You are aware of that?

Mr. Anderson. Yes, sir.

Mr. Braley. And in fact, many restaurants in this country have gotten into the renewable fuels business by using their waste fats to deliver to companies that are using it to convert it into biofuels, correct?

Mr. Anderson. Correct.

Mr. Braley. So some of the members of your restaurant association are also generating income from the biofuels industry to help reduce the cost of operating their businesses.

Mr. Anderson. I can assure you that the income from that grease comes nowhere near the \$30,000 impact from the increase in the RFS.

Mr. Braley. Well, you talked about the fact that some of the restaurants are faced with the risk of closure because of the RFS. Do you remember saying that in your opening statement?

Mr. Anderson. No, I don't.

Mr. Braley. Okay. My recollection is that when you were describing the impact of the RFS on restaurants in the United States, you suggested that some of them could be faced with closure if we don't do something about the RFS. So you are not suggesting that.

Mr. Anderson. No, I did not suggest that.

Mr. Braley. All right. With that then, I would yield back, and

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I thank the chairman for extending me this courtesy.

Mr. Whitfield. Well, thank you, Mr. Braley. At this time, I recognize the gentleman from Nebraska, Mr. Terry, for 5 minutes.

Mr. Terry. Well, I appreciate that. I appreciate this, and so my first question is to Mr. Roenigk. And you talked about the expansion of the corn crop and the additional millions of acres that have been used in the fertilizer, and that helps the production of our crops, and that they are producing twice as much now, and I just want to make clear what you were trying to get at, because I am sure you are not saying that we should stay at a process where our corn crops and soybean crops should be cut in half.

Mr. Roenigk. Absolutely not.

Mr. Terry. If you did -- if you are advocating that we cut our corn crops in half as it sounded like you were doing, what would that effect be on corn and soybean prices?

Mr. Roenigk. If I could clarify. What I tried to say is the term "renewable" implies, suggests that this is a resource in a natural basis continues to be more or less unlimited in terms of being available. If you want to produce corn, at least commercially, you need to apply commercial nitrogen which comes from a source that Congress considers not to be renewable. So that is all I was saying. If you don't use commercial nitrogen fertilizer to produce corn, I don't think you are going to get 160 bushels or per acre.

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Mr. Terry. Well, I have never heard that argument before that if you use fertilizer, it is not a renewable crop. I can't tell you how adamantly I oppose that position. I think it is just silly, frankly, because we have used fertilizer on crops for hundreds of years.

Mr. Roenigk. I think you should use fertilizer on crops.

Mr. Terry. Well, nitrogen is a fertilizer on --

Mr. Roenigk. Is it organic fertilizer or commercial fertilizer or --

Mr. Terry. Oh, so it can all be pig crap that we can put on there and then it is renewable under your standards?

Mr. Roenigk. I am sorry?

Mr. Terry. I said "pig crap," you should be waste. And then it is renewable, but only if it is from animal waste.

I am going to move on. Well, I do want to ask you one thing because -- does the chicken industry use distiller grains in their feed? Do you mix that up?

Mr. Roenigk. Yes. We used to use more, but since the oil has come out of the DDGs, we use less of it because the energy is out, but yes, we still use a small amount. Some companies use up to 5 percent, but it is not a preferred feed ingredient.

Mr. Terry. Okay. So what percentage of it would be mixed in, 5 percent?

Mr. Roenigk. Up to 5 percent. I would suggest the current usage

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is probably something in the 2 to 3 percent range when we look across the industry.

Mr. Terry. All right. Mr. Hurt, I have two -- or Dr. Hurt. It should say "Dr." Up there, and I appreciate that you are taking no position in this repeal RFS.

Mr. Hurt. That is safe or unsafe.

Mr. Terry. That means supposedly you are neutral. So I want ask you a couple of questions, and I have read your testimony, and I want to follow up on some concepts that weren't, I think, taken to conclusion.

So, Mr. Anderson and Mr. Roenigk and Mr. Faber argue just repeal the RFS, do it today, it is the cause of all the world's problems, and if we repeal it today, what are the consequences? Does that have an effect on corn prices and does it have an effect on the land prices?

Mr. Hurt. Nobody knows for sure. We will just start with that statement. But we think repeal of the RFS does away from cellulose altogether. It is gone.

Mr. Terry. Well, if you repeal the total, yes, you will. You will repeal advanced --

Mr. Hurt. Let's start with the things that --

Mr. Terry. -- biofuels, ethanol, advanced, cellulosic whatever, it is all gone.

Mr. Hurt. Probably goes away if the subsidy, the dollar subsidy

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goes away, biodiesel goes away. Actually, as we look at conventional ethanol, what we have today is an oil industry that has as their mixture, their chemistry, they have ethanol in that blend. They have ethanol in the blend for two primary reasons, one is oxygenate, that is replacement of MTBE; the second is as an octane booster, and they have it because it is economic to have it in their mix for octane. They -- we understand from the oil industry that they refined to about 84-octane now. That is a lower level than they would normally, to get 87-octane, they then blend 10 percent ethanol. Ethanol is about 113 to 115-octane. That brings that gasoline up to 87.

Now, what we don't know is because of the renewable fuel standard, the oil industry knew that they were going to have to blend 10 percent ethanol, so this, given the fact they have to blend 10 percent ethanol, this is economic. If we assume that economics continues, then maybe there would not be a collapse in corn use for ethanol. Maybe.

On the other hand, 5 years from now, the oil industry might find other ways to oxygenate and octane, so I think it doesn't say it would all go away. In the short run, we don't think a lot would go away.

Mr. Terry. I think that is a fair analysis, but Mr. Anderson and Mr. Roenigk have advocated no use anymore, so we couldn't use corn-based ethanol for an oxygenate or to increase the octane.

Mr. Hurt. Yeah. And again, I think your question was if you take away RFS.

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Mr. Terry. I did. I changed the question on you.

Mr. Hurt. You take away the RFS, the market, the market determines, and then what we are saying is the market would still buy some for awhile until the oil industry, perhaps, totally reformulated it.

Mr. Terry. Mr. Anderson, wouldn't you be frustrated if the market still allowed 10 percent blend and it was ubiquitous because of octane needs? I mean, you would still would then have Armageddon occurring in the fast food industry.

Mr. Anderson. What I would say to you is that, first of all, we are not anti-ethanol. What we are saying is take the mandate away and let free enterprise and free market conditions determine the cost of the product.

That way the government is not picking winners and losers. All we are doing --

Mr. Terry. You can't have it both ways.

Mr. Anderson. I am sorry.

Mr. Terry. You can't say eliminate the mandate because the mandate for the -- that essentially gets you to the 10 percent is wrong, but then when Mr. -- Dr. Hurt was saying, well, there may not be any displacement because the market was pretty much built off of that 10 percent, well, you are still going to have Armageddon then. So, it sounds to me like you are just against corn ethanol, not just market.

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Mr. Whitfield. The gentleman's time is expired.

I would like to remind all the members that not to change the question in the middle of the question.

Mr. Olson, you are recognized for 5 minutes.

Mr. Olson. I thank the chairman. There will be no change in the middle of the question from this Congressman from Texas. I would like to thank the witnesses for coming this afternoon. I appreciate your time and patience with the votes.

As we were hearing yesterday on this issue, a little different group here, but as I said in the hearing, I am not opposed to corn farmers, I am not opposed to ethanol, corn-based ethanol. I have got some corn production in Texas 22, small, but the western part of the county produces corn. Uncle Gus had a farm, corn farm in South Central Wisconsin. Every summer he would go up there. Guess who worked in the corn field with a hoe whacking the weeds? P. Olson getting paid \$5 a week. Yay, thank you so much, Uncle Gus.

Mr. Terry. He had machinery for that.

Mr. Olson. Just to make sure, you know, it seems very clear to me that the renewable fuel standard is on a path right now with some very negative consequences for our economy. One of those consequences is related to the impact on families trying to put food on the table.

Last month we had the Department of Agriculture before this committee. I asked about the impact of RFS on food prices. Their

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economists say most of these point to about 30 percent of recent spikes in corn prices being due to RFS.

These corn prices trickle into every aspect of our economy. The USA Report this spring predicted that high-priced corn and other commodities will "permeate supermarkets," and that, "stressful inflation for beef and pork will intensify." That hurts families and that hurts businesses.

So my first question for you, is for you, Mr. Roenigk, I hope I pronounced that correctly, sir, and I apologize if this question was answered while I was off there counting my votes, but we routinely hear from supporters of the RFS that it boosts employment for corn farmers that, of course, you remember, are heavily present in rural America as well, and you point to negative impacts of the RFS. Would you argue that the RFS has hurt hiring for employment in your industry, and are you able to put a number on that impact?

Mr. Roenigk. Thank you for the question. If I understand correctly, we need corn farmers, corn farmers need us, and to give you a specific number as to what that balance should be, I would like to get back to you if I could on that.

Mr. Olson. That works for me, sir. Thank you very much.

I would like to talk to you, Mr. Anderson, next question, please, sir. And my question for you, sir. I had a Wendy's franchise owner from back home in Texas come to my house about a month ago, and I thought

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we would talk about Obamacare, impact on small businesses, tax policy, none of that. We talked about the RFS in corn-based ethanol.

And they agreed, he agreed with your testimony, each of the restaurants loses roughly 20- to \$30,000 per year because of commodity prices in the RFS. So my question is, what does 30,000 mean to your stores? Where are some things you would otherwise be able to do with that money?

Mr. Anderson. Thank you, Congressman. That \$30,000 per store means a lot, and I will give you two examples. With that additional money, I can reinvest in my restaurants. If I reinvest in my restaurants, then not only am I maintaining the jobs that I have in my restaurant with the employees that I have, but also it helps to create or sustain other jobs.

When we build new restaurants or remodel, I will give you two specific examples. The person who does the landscaping in my Wendy's, for my four Wendy's, he started just as a person cutting a couple of lawns. He came to me and asked for an opportunity to present his case to take care of that. I agreed. That person now hires over 35 people. He has created 35 jobs along with the sustainability of his because of that. That is a trickle-down effect of jobs.

Additionally, my window cleaner, same thing. This gentleman was just cleaning a couple of windows. He came in and asked me if he could have the opportunity to quote cleaning our windows. I agreed to do

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that. He now hires 7 to 10 people to help clean windows. So there is a trickle-down effect when I can have money to invest in my restaurants.

If I build a new restaurant, I create 30 more jobs on average, I create four to six more management positions, and I have created work for construction which we all know is badly needed in this country. While they build the restaurant, the equipment to supply that restaurant, and then there is the food that has got to be there to supply it, and again, it is more job security for those that are cutting my landscaping and cleaning my windows.

Mr. Olson. Washing windows. Yes, I am out of time. One suggestion, sir, get the first Whataburger franchise here in the Washington, D.C. area. You will be booming. That is the Texas national restaurant, a hamburger restaurant, Whataburger, Whataburger, Whataburger.

Mr. Whitfield. What is the name of it?

Mr. Olson. Whataburger.

Mr. Whitfield. Oh, Whataburger. Thank you.

Mr. Olson. I yield back.

Mr. Whitfield. At this time I would like to recognize Mr. Matheson for 5 minutes. He has been sitting here very patiently.

Mr. Matheson. Thanks, Mr. Chairman. Thanks for doing these hearings. I am sorry my conflict prevented me from being here for the

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first two panels, and I assume we can send some written questions in for them, if we can. Appreciate your patience with that.

Couple of questions I wanted to ask. Ms. Johnson, you mentioned a savings on fuel cost, \$1.09 a gallon. I think that was a study by the Renewable Fuels Association that came up with that number; is that correct?

Ms. Johnson. Yes.

Mr. Matheson. Are you familiar with the article in Scientific American this week, the study out of MIT that says that your study -- that study was flawed and that that number is actually not true and that there is no discernible effect on fuel costs from ethanol?

Ms. Johnson. I am not.

Mr. Matheson. Okay. Mr. Chairman, I wish I had a paper copy of that study, but if it is permissible, I think that ought to be part of the hearing record. This is an article in Scientific American.

[The study follows:]

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Mr. Whitfield. Without objection.

Mr. Matheson. Thank you. I think also, the issue that is interesting now compared to a couple of years ago is the impact of RINs. Didn't hear they are a buck thirty-four or something like that? It is a lot more. So I think the effect on fuel costs is a relevant topic for us to look at, and we ought to talk about things have changed. Whatever study said it was in 2009 or 2010 or 2011, I just know in 2013, the cost of RINs has gone up a lot, and it has got to be having an impact on price at the pump.

Another question I wanted to ask you, Ms. Johnson. Last month, during the first RFS hearing, we heard testimony from government witnesses. We had someone from the Energy Information Administration. We had someone from the U.S. Department of Agriculture. They indicated that as long as ethanol continues to be economical, which I believe in your testimony you indicate is true, this issue about using it as an oxygenator, as an octane booster, that they estimate, the EI estimates -- EIA estimates that if you get rid of the RFS altogether, it would result in roughly about a 10 percent reduction in the amount of ethanol that is used in the supply chain today.

Do you agree with that or do you have a sense if that would be the case or not?

Ms. Johnson. I do not agree with that statement because the oil industry needs an incentive to blend renewable fuels; otherwise, there

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is no incentive to blend those fuels. And you know, we have talked in other panels, too, about battling over different studies, so you know, we have got the numbers that say that consumers saved \$1.09 a gallon at the pump and that saved families \$1,200 last year.

Mr. Matheson. I hear you. You are right. In our business, we hear about different studies and different statistics all the time. Sometimes it is good to see who it is coming from if they have an interest in what that study says.

Ms. Johnson. Congressman, if I can just say, you know, we have got a short-term problem. The drought did cause a lot of damage last year, a lot of tough issues for all of us, and so the short-term answer to a short-term problem is we are looking at producing a very abundant corn crop for this year, which will answer short-term problems. We have to start looking at what the long-term big picture is for fuels in America and what it means for the three things that the RFS was originally set out to do.

Mr. Matheson. I couldn't agree more.

Mr. Faber, do you have a thought about the statement from the Energy Information Administration that indicates that if the mandate goes away, it will result in a drop of about 10 percent on the overall use of ethanol in our fuel supply chain?

Mr. Faber. I think it is incredibly important question and it goes back to something that Mr. Terry was alluding to as well. What

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happens if you got rid of RFS? And when you, I think some of your witnesses yesterday alluded to this, and EIA has confirmed it, that in the short run, not much. That because we have more than 14 billion gallons of ethanol production capacity and because the gasoline refiners are now routinely blending ethanol, in part because of Mr. Braley's picture, in part because in some time -- at some points in the year it helps water the scotch (phonetic). It is a little bit cheaper than the RBOB in gasoline. There is plenty of incentive for gasoline refineries to continue to blend ethanol. To Professor Hurt's point, in the absence of the floor, in the absence of mandate that some day there may be other ways for blenders to improve octane or to provide an oxygenate, and that is the trade-off.

The benefit to consumers of phasing out the corn mandate, not repealing the entire mandate but phasing out the corn mandate is you are providing more room in that 13.4-gallon E10 -- 13.4 billion gallon E10 pool for these cellulosic biofuels that have the potential to really reduce greenhouse emissions.

Mr. Matheson. Well, I would concur with that. I would also say the other benefit would be that you would get rid of the need for the RINs that are, I think, increasing and distorting markets.

Mr. Faber. Absolutely.

Mr. Matheson. And I think that that would be helpful.

Mr. Chairman, I think that we raised an issue that may be

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interesting for this committee to look at which is, in the short run, it appears that ethanol is a good way to pursue oxygenating fuels or octane boosters. There is a concern in the longer run there may be alternative choices that the refining industry could use. Maybe we could have a hearing to talk about what the likelihood or viability is of those alternative choices. That might make us a little more informed as we look at the impacts of the renewable fuel standard. With that, I really appreciate your patience, and I will yield back my time.

Mr. Whitfield. Well, thank you, Mr. Matheson, and thanks for that suggestion. The RINs were certainly discussed a lot yesterday, and the RIN prices yesterday, and I want to thank all of you for taking time from your busy schedules to come and join us and to give us your views.

As we all know, it is a rather complex issue, and we are -- we have had a lot of hearings, and we have read a lot of responses to the White Paper invitations, and it is an important issue, so we are going to proceed cautiously. I think most people agree that there are some inequities that need to be addressed, and I don't know precisely where we are going to end up, but that is what the political process is all about.

And so with that, I would thank you-all again and that -- I would ask unanimous consent to enter into the record letters from various groups, including the American Motorcyclist Association, the

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American -- the Oregon Dairy Association, the Oregon Cattleman's Association, the Oregon Petroleum Association and the American Cleaning Institute. So, if you would enter that into the record.

[The letters follow:]

\*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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Mr. Braley. Mr. Chairman.

Mr. Whitfield. Yes.

Mr. Braley. Would you also allow unanimous consent request to enter a similar statement from the Iowa's Cattleman's Association?

Mr. Whitfield. Absolutely.

Mr. Braley. In support of maintaining the RFS.

Mr. Whitfield. Absolutely. Absolutely. Without objection, so entered.

[The statement follows:]

\*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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Mr. Whitfield. Hey, I had heard about the Iowa Cattleman's Association. So that concludes today's hearing. The record will remain open for 10 days, and thank you-all once again.

[Whereupon, at 4:10 p.m., the subcommittee was adjourned.]