

Overview of the Renewable Fuel Standard  
Stakeholders Perspective

Hearing of the Energy and Power  
Subcommittee  
House Committee on Energy and Commerce

William P. Roenigk

On Behalf of the  
National Chicken Council

Wednesday, July 24  
Rayburn House Office Building  
Washington, DC

Good afternoon, Chairman Whitfield, Ranking Member Rush, and Members of the Subcommittee. Thank you, Chairman Whitfield, for the opportunity to participate in the critically important and most timely hearing on the Renewable Fuel Standard.

My name is William "Bill" P. Roenigk. I was, until very recently, the Senior Vice President of the National Chicken Council and am now a consultant to the Council. The statement is presented on behalf of the National Chicken Council, which represents companies that produce and process over 95 percent of the young meat chickens (broilers) in the United States. The Council's producer/processor members are proud to provide on a consistent basis wholesome, high-quality, affordable chicken to both consumers at home and abroad. About 20 percent of the U.S. chicken supply is exported to the very competitive world market.

About 40 vertically-integrated chicken companies that are federally-inspected comprise the U.S. industry. Since 2007, all of 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 six years. Rising feed costs for much of the past six years have out-paced the ability of companies to pass on these higher feed costs in the form of higher prices these companies receive for their chicken products. At least a dozen companies have succumbed to the severe cost-price squeeze by ceasing operations or having to sell their assets at fire-sale values, in some cases to foreign owners. The business disruptions directly impact the over 25,000 family farmers who grow the chickens, and the more than 300,000 employees directly working for the chicken companies.

Since October 2006 through this month, July 2013, poultry and egg producers have had to bear the burden of higher feed costs totaling over \$50 billion. The \$50 billion higher feed costs is not the total feed bill, but rather the increase over feed costs if corn and soybean meal prices had remained somewhat steady at the pre-2006 levels. It is an understatement to say "it has been difficult to pass this

increased cost on to the chicken buyers,” whether they are supermarkets, restaurants, further processors, or buyers overseas.

As troubling as the higher feed costs have been, an even more difficult challenge is the much greater volatility experienced in corn prices over the past six years. There is no futures market for chicken so establishing a hedge position including corn, soymeal, and chicken is not possible. The market risk for chicken is carried by the chicken companies. If you, as a chicken producer, guess wrong on the corn and/or soybean meal prices, you can pay a very heavy financial penalty compared with your competition who may have luckily guessed more correctly on the commodity market.

As Subcommittee Chairman Whitfield noted in the announcement about today’s hearing the “Renewable Fuel Standard is a broad and complex statute... now is the time to take an in-depth look at the RFS and compare our original expectation for the program with the actual experience.” Permit me to add that the RFS statute in the Energy Independence and Security Act of 2007 is not just broad and complex, but also a statute that has outlived its usefulness, if, in fact, the conventional fuels component of the RFS even 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 the short-falls of the corn crop for the past three years.

Proponents of having a government mandate that requires a major quantity of corn to be used to manufacture ethanol whether or not there is an adequate supply of corn apparently had expectations that optimum weather conditions for producing corn and competing crops would be the norm every year. Recent history for the corn harvest has certainly proven otherwise.

Some groups have characterized the position of the National Chicken Council and our sister organizations in animal agriculture as being anti-ethanol. This conclusion is a mis-characterization. We are not anti-ethanol. Rather, we believe

the government should stand aside and permit the market to move the United States toward greater energy independence. The negative and, perhaps, 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 supply is severely inadequate to meet all needs.

It is important to note that the Renewable Fuel Standard is a misnomer. That is, “renewable” implies that there is an abundance of some natural resource that provides an unending supply of some product. Applying over 200 pounds of commercial nitrogen fertilizer to achieve a corn yield of 160 bushels per acre does not qualify corn to be considered “renewable.” Without the application of fertilizer, yields of corn would be one-half and if not applied again the next year, the yield would be reduced by another one-half.

In short, the Renewable Fuel Standard, at least for conventional biofuels, is broken beyond repair. It is most imperative and important at this time for Congress to take a critical, hard look at the RFS. If Congress concludes, as we do, that the RFS cannot be fixed because it is broken beyond repair, then Congress must do the right thing.

The National Chicken Council looks forward to working with the Subcommittee and others in Congress to repeal this very broken and irreparable legislation.

Thank you again, Chairman Whitfield, ranking Member Rush, and Members of this Subcommittee for the opportunity to participate in the discussion today so that our thoughts and recommendations could be shared.