

**Hitting the Ethanol Blend Wall
Examining the Science of E15**

**Hearing of the Energy and Environmental
Subcommittee
Committee on Science, Space, and Technology
Congressman Andy Harris, Chairman**

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National Chicken Council
Washington, DC**

Statement of the National Chicken Council

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Rayburn House Office Building
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Good afternoon, Chairman Harris, Congressman Miller, and Members of the Subcommittee. Thank you, Chairman Harris, for the opportunity to participate in this important and very timely hearing on the issues impacting poultry companies, farmers, and the allied industry that supplies the necessary goods and services to the poultry business.

I am Mike Brown, President of the National Chicken Council. Companies accounting for more than 95 percent of the chicken produced and processed in the United States are members of the National Chicken Council.

E15 Labeling Permitted

The National Chicken Council is extremely disappointed and dismayed that the Environmental Protection Agency issued final approval on June 28, 2011 for new labeling for the sale of gasoline blended with 15 percent ethanol. This E15 gasoline blend is 50 percent greater than the E10 currently sold at most gasoline pumps. Putting aside the very definite and common sense problem of misfueling that this action will cause, the National Chicken Council cannot understand why the federal government is taking this untimely and unfortunate step to put more pressure on an already precarious corn crop this Fall. A misguided ethanol policy is being further misguided by the rush to placate the corn ethanol interests. When will the Administration begin to recognize that blindly pursuing this type of policy is financially damaging consumer pocketbooks and causing taxpayers to pay for a policy that makes little, if any, economic sense?

Some In Congress Understand

The National Chicken Council appreciates the 73 Senators who voted last month to begin to stop the madness of full speed ahead for ethanol regardless of the cost or economic fallout on the U.S. economy. The Senators recognized that repealing the Volumetric Ethanol Excise Tax Credit (VEETC) and eliminating the import tariff on foreign ethanol would not just save taxpayers billions of dollars but would also send a message that ethanol manufacturers need to learn to operate in a free market economy, not a cocoon of government subsidies, mandated usage, and insulation from market

competition. Also last month, similar legislation was introduced in the House and the National Chicken Council also strongly supports this House effort.

The National Chicken Council very much appreciates the 283 House Members who last month voted to approve an amendment that would prohibit USDA from allocating funds for ethanol infrastructure, including blender pumps and storage facilities. It is important to note that the latest vote on this legislation received 22 more votes than it did when originally passed by the House in February. This message is becoming increasingly clear that more and more Congress are recognizing that the ethanol industry must, after more than 30 years, begin to compete on a level field in the marketplace.

Compromise Is Not A Compromise

The National Chicken Council questions the so-called compromise efforts being debated in Congress to allow the ethanol industry to have its corn and eat it, too. Compromise in the National Chicken Council's dictionary means that the ethanol industry needs to allow for a good measure of flexibility in the ethanol policy and program going forward. Dressing-up ethanol policy in another dress is not a compromise. More specifically, the Renewable Fuels Standard (RFS) needs to be subject to an adjustment when market forces and the corn harvest are such that all market needs cannot be met at a reasonable cost to users. That is one reason why the National Chicken Council supports proposed legislation to permit individual states to opt out of the corn ethanol portion of the RFS. This common sense approach would be a good policy, especially when there is a very limited supply of corn available at a reasonable cost. States under this type of legislation can determine for themselves the trade-off of higher food costs versus more gasoline blended with ethanol. Allowing states to make this critical call is a step toward taxpayers and consumers better deciding for themselves what is in their best interest. The National Chicken Council calls upon Congress and others involved to permit states this opportunity. There are, of course, other reasonable approaches to adjusting the RFS when the conditions so dictate.

Corn-Based Ethanol Policies And Rules Need Re-Alignment ASAP

The policies and rules of the games for corn-based ethanol must be re-balanced and the playing field must be leveled to permit chicken producers and other animal agriculture producers to more fairly compete for the very limited supplies of corn this year and most likely for the next few years. This action must be taken as-soon-as-possible. Broiler companies, since last October when the sudden, unexpectedly run-up in corn and other feed ingredient costs occurred, have tried to weather the storm of very high, very volatile corn prices. But, now, companies can no longer withstand the storm. Companies are trimming their production plans, which means growers will receive fewer chicks to grow to market-ready broilers and processing plant work shifts are being reduced or even eliminated. With less work time, more and more workers are being laid-off. A broiler company in Georgia just announced 300 workers will no longer be needed. Also, this month a fourth-generation family broiler company in Delaware filed for bankruptcy protection while it works to secure another owner for its assets. Further, another company in Arkansas last week announced plans to consolidate two processing plant operations into one location and similarly will combine two hatcheries into a single facility. This consolidation will result in 223 jobs being eliminated. The company in its announcement indicated that eliminating these jobs will give it a better chance to survive. Earlier in 2011 this same company eliminated about 300 jobs in an attempt to stay in operation. Also, in May this year, a third-generation broiler company with a complex in North Carolina and another complex in Arkansas succumbed to the financial stress of high feed costs. The result in this case is that its complex in North Carolina is now owned by a foreign company and the Arkansas complex is now owned by another broiler company that not only had the borrowing capacity to purchase the assets but the reserves that will undoubtedly be necessary to carry financial losses until the broiler market improves to at least a breakeven position. A third-generation company in Mississippi closed its doors earlier this year as the corn cost/chicken price squeeze became intolerable.

I would like to tell this Committee that the above noted situations are the end of the broiler industry's financial problems. I cannot tell you that conclusion

because there are a number of other companies on the financial bubble. Banks and other lending institutions are telling these companies, “enough is enough,” meaning sell your assets and repay your outstanding debt. What some analysts say about the broiler industry of “ten companies in ten years” may become a reality, and perhaps, sooner than in a decade.

Draft Legislation For NAS Study On E15

The National Chicken Council strongly supports legislation that would require the Administrator of the Environmental Protection Agency to contract with the National Academy of Sciences to conduct a comprehensive assessment on the ramifications of the use of mid-level ethanol blends, meaning any blend level above E-10. NCC supports research comparing ethanol-gasoline blends containing 15 percent ethanol with ethanol-gasoline blends containing 10 percent. Chicken companies and all of animal agriculture are bearing the burden and feeling the disastrous effects of competing for corn on a field that is heavily tilted toward the ethanol industry. NCC urges this Committee and others in Congress to move quickly to approve the draft legislation for an impartial, science-based study. Such a study will help document the folly of hiking the ethanol blend in question when there is not enough corn in the foreseeable future to even meet the needs of E10.

Conclusion

The National Chicken Council, its members, and the many allied industry companies that support poultry production, processing and marketing look forward to working more closely with the Committee and others in Congress so that poultry producers have a better opportunity to successfully manage the increasingly difficult challenges and issues. Improving the state of the poultry industry not only helps poultry companies and poultry farmers but, more importantly will allow consumers of poultry products to continue to enjoy an ongoing, adequate supply of animal protein at reasonable prices.

I look forward to your questions and comments.

Biographical Sketch of Mike Brown, President, National Chicken Council

Mike Brown is president of the National Chicken Council. He was selected for this position in February 2011, succeeding George Watts. As president, Brown manages the NCC staff and is responsible for carrying out policies as determined by the Board of Directors.

Previously, Brown was on the staff of the American Meat Institute, where he represented AMI to Congress and the Administration as the organization's senior vice president for legislative affairs. He joined AMI in May 1995, after serving eight years as a legislative assistant for former Sen. John Warner (R-VA), focusing on agriculture, food safety, labor, immigration, environment, and international trade issues. Brown also previously worked as a legal publication specialist for the *Federal Register*, where he was responsible for providing information to Congress, federal agencies, trade associations and others on federal regulations and office programs and publications.

Brown earned his Bachelor of Science in political science and history from the State University of New York, Brockport. Brown and his wife, Kelly, live in Vienna, Virginia.

The National Chicken Council represents vertically-integrated chicken producer-processors, the companies that produce, process and market chickens and chicken products. Member companies of NCC account for more than 95 percent of the chicken sold in the United States.