



STATE OF GEORGIA
OFFICE OF THE GOVERNOR
ATLANTA 30334-0900

Nathan Deal
GOVERNOR

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Administrator Lisa P. Jackson
U.S. Environmental Protection Agency
Room 300, Ariel Rios Building
1200 Pennsylvania Avenue, N.W.
Washington, D.C. 20460

RE: Petition for Waiver Under the Clean Air Act Section 211(o)(7)(A)

Dear Administrator Jackson:

Please accept this petition as my official request for you to exercise the Environmental Protection Agency's (EPA) authority under the Clean Air Act (CAA) Section 211 (0) (7) (A) to provide a waiver in 2012 and 2013 to the Renewable Fuel Standard (RFS) for ethanol. Your prompt action is needed to assist poultry and livestock producers in Georgia to be in a better position to survive economically in the year ahead.

The unprecedented drought experienced in major crop areas of the country, especially throughout extensive areas of the Midwest and South, has significantly decreased crop yields. USDA continues to lower its forecasts for the amount of corn and soybeans that will be harvested this year. Although the final levels of production are not known, it is known that there will not be enough grain and oilseed production to meet the usual needs of traditional users. It is abundantly clear that much of this crop loss is irreversible and that many crops, in particular corn, will not recover from extended periods of extremely high temperatures with minimal rain.

Given this situation, utilizing ever-greater quantities of corn to produce renewable fuel contributes directly to the escalation of corn and related crop prices. This economic harm not only directly affects the financial interests of poultry and livestock producers, but the ethanol mandate impacts consumer prices for basic food necessities and affects other businesses that are dependent on the agricultural sector. In addition to the direct economic damage from drought within the border of our state, Georgia is heavily dependent on grain produced in other states to support its poultry and livestock industries. Severe economic harm is therefore being caused by the applicable volume requirements of the RFS, and a waiver of this requirement is fully justified under section 211(o)(7) of the CAA (42 U.S.C. § 7545(o)(7)).



Under the CAA, EPA has the authority to waive applicable volume requirements for renewable fuels upon the petition of a State, persons subject to RFS requirements or on a motion by the Administrator.¹ The CAA does not specify which elements are to be contained in a petition, and the agency has issued only non-binding guidance on this matter. It is abundantly clear that substantial evidence exists now within the existing reports of USDA regarding expected crop yields and within private sector forecasts of crop yields that current and futures pricing of corn will result in severe economic harm in the poultry and livestock sectors. It can also be reasonably projected that this harm will continue well into 2013, if not beyond 2013, and that the decreasing availability of stocks of grains will only be eased when a new crop season provides an abundance of supply.

As Georgia's largest industry, agriculture accounts for over 15.7 percent of the state's economy in terms of sales and output and represents 11.2 percent of the state's value added production.² Georgia agriculture has an annual impact of \$68.9 billion on the state's economy and provides 380,000 jobs to citizens of the state.² Poultry and livestock are critically important components of the state's economy, representing over 50 percent of Georgia's farm gate value, while broilers alone account for over 40 percent of farm gate value.³ From a national perspective, Georgia ranks first in broiler production and third in value of eggs produced. For Georgia, the poultry industry alone accounts for over \$20 billion in annual economic impact,³ and an estimated 98,000 jobs depend on poultry directly or indirectly.⁴

The poultry industry cannot operate their businesses profitably given these very high input costs. Forecasts are now for negative operating margins for poultry and a continued decline of broiler production in coming months. The National Chicken Council forecasts a five percent decrease in U.S. broiler production in 2013. It is reasonable to expect that the decrease in broiler production in Georgia will closely parallel the U.S. trends. The ripple effect of this decrease in production would have significant consequences for poultry farmers, poultry processors and allied industry in Georgia.

According to the University of Georgia, the state's poultry producers are spending \$1.4 million extra *per day* on corn due to the drought and the upward pressure on corn prices caused by the demand created by the RFS for ethanol. This translates to over \$516 million per year if

¹ CAA section 211 (o)(7)(A).

² Economic Importance of Food and Fiber in the Georgia Economy. University of Georgia, College of Agricultural and Environmental Sciences, Center for Agribusiness and Economic Development. Brochure Series 05-02.

³ Ag Snapshots: A Brief Focus on Georgia's Agricultural Industry. University of Georgia, College of Agricultural and Environmental Sciences, Center for Agribusiness and Economic Development.

⁴ Economic Importance of Poultry and Eggs in Georgia. University of Georgia, College of Agricultural and Environmental Sciences, Center for Agribusiness and Economic Development. Brochure Series 05-02.



these market conditions continue. These additional input costs are not sustainable, and I urge you to consider all options available to the agency to provide some relief in the coming year.

Between 2008 and 2011, over one-third of the U.S. broiler industry experienced bankruptcy, sale, or closure.⁵ Poultry producers in Georgia were severely weakened by the financial hardships caused by the spike in prices last year, and the outlook for the coming year is even more distressing.

The ultimate impact on consumers in Georgia and throughout the United States in the form of higher food prices must also be fully considered. A recent analysis confirmed that food inflation, particularly for those food categories most impacted by grain costs, has risen much faster than overall inflation since 2005.⁶ The reality of this current crisis is that consumers will have to pay more for protein and other food items, or they will simply not be able to afford certain food items.

As I have outlined, Georgia is experiencing severe economic harm during this crisis, and important economic sectors in the state are in serious economic jeopardy. This harm is precisely of the type, character and extent that Congress envisioned when it granted EPA authority to waive RFS applicable volumes in both the original RFS enacted in 2005 and in the substantial revisions made to the law in 2007 by the Energy Independence and Security Act.

I am pleased to join the many other voices and requests that EPA has received in recent weeks to waive the RFS for ethanol, including from fellow Governors, members of the U.S. House of Representatives and Senate, the United Nations, and national poultry and livestock organizations. Georgia's Congressional delegation is united on this issue – both Democrats and Republicans – as is evidenced by the fact that 12 of 13 members of Georgia's House delegation in Washington and both U.S. Senators recently signed letters urging EPA to adjust the RFS for ethanol.

I respectfully request that you act within the immediate future to exercise your authority under CAA section 211(o)(7) in order to mitigate the economic harm that is occurring now and the harm that will continue throughout 2013 and possibly longer if no action is taken. Your full consideration of and prompt action on this petition will be most appreciated.

Respectfully submitted,

Nathan Deal

⁵National Chicken Council report.

⁶See *The RFS, Fuel and Food Prices, and the Need for Statutory Flexibility*, by Dr. Thomas E. Elam, page 2, FarmEcon LLC, July 16, 2012, available at: <http://www.farmecon.com/Pages/default.aspx>.