

August 31, 2017

Submitted electronically via www.regulations.gov

Office of Transportation and Air Quality
Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Re: Docket ID No. EPA-HQ-OAR-2017-0091; Renewable Fuel Standard Program: Standards for 2018 and Biomass-Based Diesel Volume for 2019; Proposed Rule; 82 Fed. Reg. 34206 (July 21, 2017)

Dear Administrator Pruitt:

The National Chicken Council (NCC) represents companies that produce and process more than 95 percent of the chicken in the United States.¹ As corn users, NCC's members are substantially impacted by the Renewable Fuel Standard's (RFS) impacts on the corn market and feed supply. NCC supports a responsible, balanced, and sustainable approach to the nation's fuel supply. As proposed, the RFS targets exceed the percentage of ethanol Congress envisioned being used in the fuel supply, create inappropriate artificial demand for corn in ethanol markets, incentivize inefficient overproduction of corn-based ethanol, and needlessly drive up corn prices for broiler chicken companies and other corn users who do not enjoy a large federal subsidy. NCC therefore encourages EPA to reduce conventional ethanol targets to a more appropriate level and to use EPA's waiver authority to ensure that use of corn for ethanol remains balanced with other important uses, including in broiler chicken production.

2018 Proposed Volumes

The U.S. Environmental Protection Agency (EPA) has proposed the following volume obligations for biofuels under the Renewable Fuel Standard (RFS) for 2018, and for biodiesel in 2019.

Biofuel Category	2018	2019
Cellulosic	238 mgy	n/a
Biomass Biodiesel	2.1 bgy	2.1 bgy
Advanced Biofuel Total	4.24 bgy	n/a
Total Renewable Fuels	19.24 bgy	n/a
Implied Conventional Volume	15 bgy	n/a

Source: NCC from Proposed Rule

In this proposal, EPA has reduced the statutory volume for cellulosic biofuel in 2018 by 6.76 billion gallons and is also proposing an equal reduction of 6.76 billion gallons for the advanced biofuel category and the total renewable fuel category. NCC agrees with EPA

¹ In these comments, the terms "chicken" and "broiler" are used interchangeably.

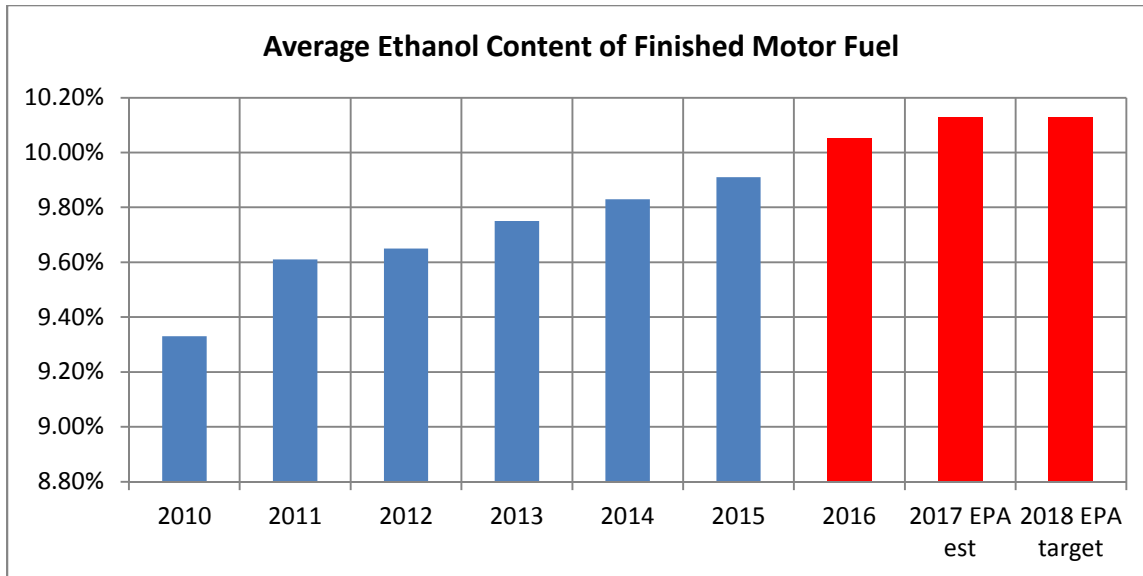
that if the agency were to reduce the total renewable fuel volume requirement by a lesser amount than the advanced biofuel volume requirement (which is equal to the waived portion of the cellulosic volume), there would be an “opportunity for conventional biofuels to participate in the RFS program beyond the implied statutory cap of 15 billion gallons.”

By lowering the total renewable fuel volume by an amount equal to the waived volume of advanced biofuel, however, EPA is effectively proposing to leave the conventional ethanol implied mandate at 15 billion gallons, its statutory cap. NCC requests that EPA use its statutory general waiver authority to further reduce the total renewable fuel volume so that the implied volume for conventional biofuel effectively be lowered. This would be consistent with the original intent of the statute, as the following comments will demonstrate.

But overall motor fuel use is significantly less than projected when the statutory targets were set, meaning that the static conventional renewable fuel caps are resulting in too much ethanol use compared to what Congress intended. Indeed, the percent of ethanol in the fuel supply has been growing each year beyond the expectations of the original legislation. When the statutory levels for biofuels were set in the 2007 Energy Independence and Security Act (EISA), total finished motor fuel use for 2016 was projected to be 153 billion gallons.² Thus, the 15 billion gallon required volume obligation for conventional ethanol established under EISA for 2016 was understood at the time to be 9.8 percent of the projected motor fuel supply. The 2016 utilization of finished motor fuel was instead 143.367 billion gallons with ethanol use at 14.406 billion gallons, for an ethanol blend of 10.05 percent³. That exceeds the goals of the EISA statute.

² Annual Energy Outlook 2007, Annual Energy Outlook 2008, EIA

³ Short Term Energy Outlook, March 2017, EIA



Source: NCC with EIA data

The ethanol blend in 2016 marked the first time that the national average ethanol content in finished motor fuel exceeded 10 percent. This year, according to the proposed rule, the overall average ethanol blend is expected to reach 10.13 percent based on 14.561 billion gallons of ethanol blended into 143.683 billion gallons of total motor fuel.⁴ While establishing the implied conventional mandate at 15 billion gallons for 2018, EPA forecasted that “the volume of ethanol that can be consumed as E10 in 2018 is projected to be 14.29 billion gallons. Thus, the implied volume for conventional renewable fuel would exceed this value by 0.71 billion gallons.”⁵ It is noteworthy that the total utilization of finished motor gasoline into which the conventional biofuel must be blended is projected to decrease in 2018, compared to 2017, by 0.77 billion gallons per the estimates used in the final rule. Thus, it is clear that maintaining the conventional RFS at 15 billion gallons creates this imbalance. For this reason NCC urges EPA to reduce the total renewable fuel mandate in the final rule.

Establishing Aggressive Volumes Leads to Overproduction of Ethanol

EPA assumes that the national average blend for ethanol through E10, E15 and E85 would be 10.13 percent again in 2018 which would imply 14.479 billion gallons of ethanol use. The agency notes “... while the market could supply a volume of ethanol greater than 14,479 million gallons, this volume represents a reasonably attainable level of ethanol supply in 2018...” That statement avers that EPA is fundamentally confusing supply with utilization.

⁴ Proposed Rule, Table V.B.1.iii-1

⁵ Ibid.

It is the production of ethanol that drives corn use by ethanol mills, which, when economically protected by the RFS mandate and the effective subsidy of RIN values, can negatively impact poultry producers. In short, setting the RVO too high encourages the over-production of conventional corn based ethanol which triggers various economic dynamics that are damaging and/or potentially damaging to other non-biofuel buyers in the corn market, such as broiler producers, who do not enjoy a network of direct and indirect federal subsidies to offset the increased costs.

In the recent years since the 10 percent blendwall has become a constraint on ethanol utilization (i.e. since 2014⁶), the production of ethanol has been approximately 105 percent of the implied conventional biofuels volume mandate.

Year	Final RVO (implied)	Ethanol Production	Ethanol Production as Percent of RVO
2014	13.61 bgy	14.34 bgy	105.3%
2015	14.05 bgy	14.80 bgy	105.3%
2016	14.50 bgy	15.33 bgy	105.7%

Source: NCC with EPA, RFA data

Consistent with the pattern shown in the table above, and based on EIA data, through the week ending 11 August 2017, average ethanol production has been 1.02 million barrels per day, which equates to 15.7 billion gallons of ethanol. That would be 104.7 percent of the 15 billion gallons implied RVO for the year. Maintaining the implied conventional biofuel mandate at 15 billion gallons in 2018 will result in further over production.

EPA is aware of the negative impact of ethanol volumes exceeding the 15 billion gallon statutory cap as evidenced by the statement in the proposed rule that reducing the total renewable fuel mandate by an amount less than the advanced biofuel requirement would provide an “opportunity for conventional biofuels to participate in the RFS program beyond the implied statutory cap of 15 billion gallons”⁷ cited earlier in these comments. Whether the marginal ethanol in excess of 15 billion gallons is used domestically without qualifying for RINs, added to stocks, or exported, it still has a negative impact on other corn users such as broiler companies and growers by creating artificial demand for corn-based ethanol. For this reason NCC urges EPA to reduce the total renewable fuel mandate in the final rule.

RVO Doesn’t Reflect Demand and Need for E0

⁶ The 2014 Proposed RVO rule was the first time EPA proposed setting volumes below the legislated targets due to, as the rule stated, “...a set of factors commonly referred to as the ethanol “blendwall.”

⁷ Proposed Rule, 82 Fed. Reg. 34228 (July 21, 2017).

EPA states in the proposed rule:

We note that this proposal includes an assessment of E0 (ethanol-free gasoline) use that marks a change in how we have addressed this issue in past standard-setting rulemaking actions. ... EPA has reassessed this issue, and we have found that use of E0 in 2016 was higher than we had assumed in setting the 2016 standards. Our proposal for 2018 includes consideration of this fact.

However, in setting the 2018 RVO, EPA assumes that E0 gasoline sold to final consumers (and therefore not blended with ethanol) will be between 200 and 500 million gallons.⁸ The lower the pool of E0, the easier it is to blend more ethanol. While there has been much discussion and differing perspective about the actual pool of E0 use, NCC notes that in 2016 the EIA calculated there was approximately 5.3 billion gallons of unblended E0 delivered to final consumers in the U.S. in 2015. Thus EPA's assumptions about E0 would imply that demand for straight gasoline has dropped between 91 and 96 percent in the past two years based on EIA's assessment, an unlikely occurrence. NCC contends that like 2016, EPA likely has under-estimated the pool of E0 again in this proposed rulemaking.

This potential underestimation of E0 demand is another reason NCC requests the agency to further lower the total renewable fuel volume for 2018. Moreover, an adequate supply of unblended E0 motor fuel is important to many broiler growers as they use and maintain small and two-cycle engines to power their on-farm equipment.

Corn Ethanol Production Exceeds the Envisioned 15 Billion Gallon Cap

In the proposed rule, EPA states that "real world challenges" have made

... the volume targets established by Congress for 2018 beyond reach for all fuel categories other than (biomass based diesel), for which the statute specifies a minimum requirement of 1.0 billion gallons.

The agency goes on to state that the volumes it is proposing for

... total renewable fuel, advanced biofuel and cellulosic biofuel would achieve the implied statutory volumes for conventional biofuel.

Per the statute, however, the 15 billion gallons for conventional biofuels is a maximum allowable volume. It is not a volume target. Thus setting the implied conventional biofuel mandate at the statutory maximum is inconsistent with the approach EPA has taken to other categories of biofuels. Moreover, as described previously, it encourages over production of corn ethanol.

For this reason, EPA's implementation of the RFS to date has resulted in a program that has departed from the underpinning of its statutory purposes.

⁸ Proposed Rule, 82 Fed. Reg. 34231, Table V.B.1.iii-1 (July 21, 2017).

Consider the perspective on biofuels from the time when the EISA legislation was passed, via the following section from the EIA's Annual Energy Outlook 2007. This EIA forecast informed the development of the biofuel mandates:

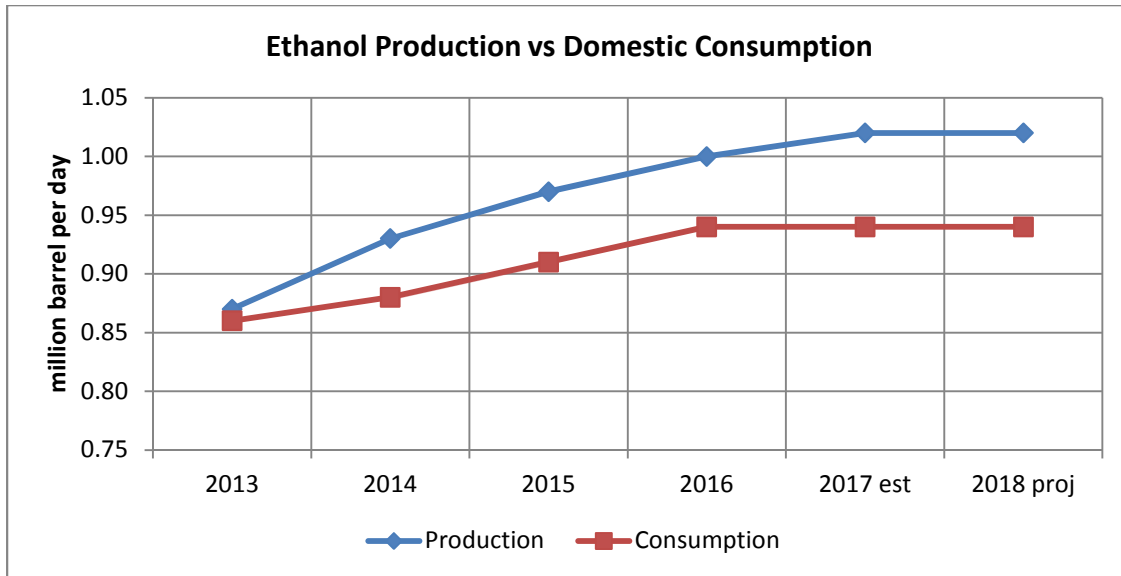
Ethanol use grows in the AEO2007 reference case from 4 billion gallons in 2005 to 14.6 billion gallons in 2030 (about 8 percent of total gasoline consumption by volume). Ethanol use for gasoline blending grows to 14.4 billion gallons and E85 consumption to 0.2 billion gallons in 2030. The ethanol supply is expected to be produced from both corn and cellulose feedstocks ... but domestically grown corn is expected to be the primary source, accounting for 13.6 billion gallons of ethanol production in 2030.⁹

There are three key points from the AEO2007 to consider:

- Ethanol use in 2017 will effectively meet the original projection for 2030 (i.e. in 2017 use will reach 14.561 billion gallons - essentially the 14.6 billion gallon goal);
- Corn use for ethanol is much higher than the original projection because of the failure to date of cellulosic biofuel- under the above projection, corn use for ethanol would have been 4.85 billion bushels instead of the 5.5 billion bushels projected in the August 2017 WASDE.
- Ethanol was projected to be only 8 percent of the fuel supply (including 200 million gallons of E85, which is within the range of estimates considered by EPA in making the 2018 proposed rule), not 10.13 percent.

Corn ethanol has saturated the domestic market, and the ethanol industry, protected by the RFS, has continued to produce ethanol at a pace faster than consumption could grow. While production is likely to plateau moving forward, utilization is actually forecast to decrease which will keep the gap un-closeable.

⁹ Energy Information Administration 2007 Annual Energy Outlook, DOE/EIA -0383, (February 2006).



Source: NCC with EIA data

This domestic supply-demand imbalance for corn ethanol has led to large volumes of exports. According to the RFS, exports totaled 1.05 billion gallons last year and are on track to exceed 1.3 billion gallons this year. Ethanol exports are not in keeping with the goal of energy independence and security. Indeed, as the 2018 proposed rule states:

*Congress sought to bolster energy security and independence by boosting the amount or renewable fuel used in the **domestic** transportation fuel pool. (emphasis added)*

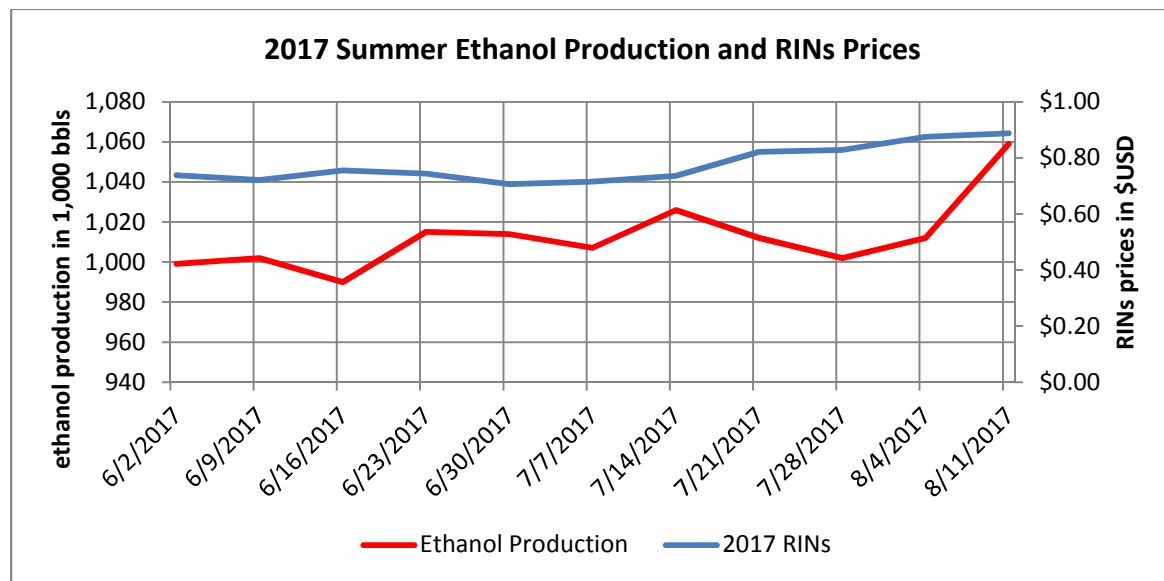
Ethanol exports add nothing to the goal of “greater energy independence and security” which, as EPA stated in the proposed rule, is “not simply a general goal but is embedded in the statutory provisions” of EISA.

Congress, through EISA, set the 15 billion gallon cap on corn ethanol under the RFS to prevent ethanol production from diverting too great a volume of corn from feed, food, and seed use to energy. At the time Congress set this cap, ethanol exports were not envisioned. EPA’s proposal to set the implied conventional fuel mandate at the statutory maximum encourages exports of ethanol. For this reason NCC urges EPA to reduce the total renewable fuel mandate in the final rule.

Ethanol Exports Impact RINs Value to the Detriment of Poultry Producers and Other Corn Users

EPA’s actions in setting the RVO’s for conventional ethanol too high for the domestic market to absorb have led to more exports, which are supplied by higher ethanol production, which diverts more corn from domestic feed markets and food production.

As noted previously ethanol exports in 2017 are on pace to exceed 1.3 billion gallons which would result in those renewable identification numbers (RINs) being retired. That could result in a shortage of RINs compared to production, which helps keep RIN's prices high.



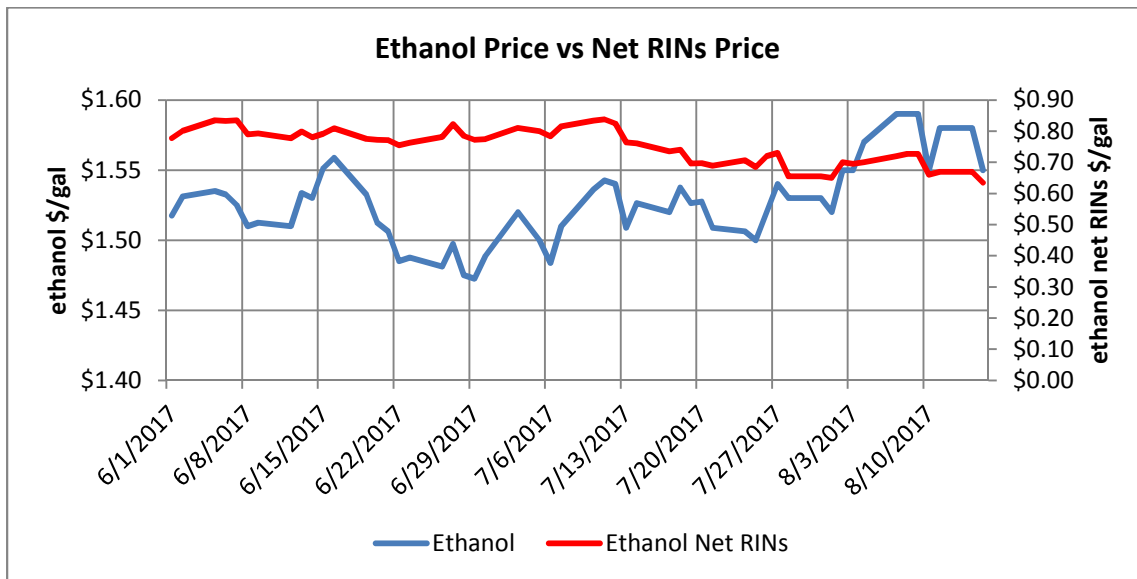
Source: NCC with EIA, OPIS data

That also helps explain why RINs prices have increased in tandem with ethanol production; under normal circumstances, ethanol production and RINs prices should move inversely. In addition to being a compliance mechanism under the RFS, RINs are part of the value of each gallon of biofuel to which they are attached. According to the EIA, RINs provide *an economic incentive to use renewable fuels. If RIN prices increase, blenders are encouraged to blend greater volumes of biofuels, based on their abilities to sell both the blended fuel and the separated RIN.*¹⁰

Of course, blending larger volumes of ethanol means an increase in demand for corn as a feedstock. Under the RFS, however, the effective cost is the cost of ethanol-net-of-RINs. Thus, as RINs prices rise, the net marginal cost of blending ethanol at a fixed price is actually reduced for obligated parties, incentivizing increased blending.

The following chart shows an example of the impact of the RINs value imputed into ethanol. This sample is a snapshot for the period 1 June through 15 August, 2017. On 1 June, the Chicago spot ethanol price was \$1.53 per gallon and the price of ethanol-net-of-RINs was \$0.7775 per gallon. By 8 August, the ethanol spot price was \$1.59 per gallon and the price of ethanol-net-of-RINs was \$0.7275. Therefore, as the price of physical ethanol rose \$0.06 per gallon, the net cost of blending actually dropped \$0.05 per gallon due to RINs.

¹⁰ Today in Energy: RINs and RVOs are used to implement the Renewable Fuel Standard, (June 3, 2013), EIA.



Source: NCC with OPIS data

In the case of corn ethanol, higher RIN values can provide ethanol producers an economic advantage in purchasing corn over other corn users such as poultry and livestock feeders as the value of the RIN is imputed into the cost of the ethanol. Poultry producers and their customers receive no such relief and must absorb or pass on the higher costs of corn. For this reason NCC urges EPA to reduce the total renewable fuel mandate in the final rule.

EPA's Aggressive Approach to Biodiesel Volumes Impacts Broiler Feed Supply and Cost

To date, EPA has relied on an aggressive schedule of increased biomass based diesel volumes to meet the advanced biofuel requirements of the RFS. While the proposed rule for 2018 actually reduces the advanced biofuel mandate and the 2019 biodiesel volume is held constant at 2.1 billion gallons, the 2018 proposed rule nonetheless states:

In addition to virgin vegetable oils, we also expect increasing volumes of distillers corn oil to be available for use in 2018

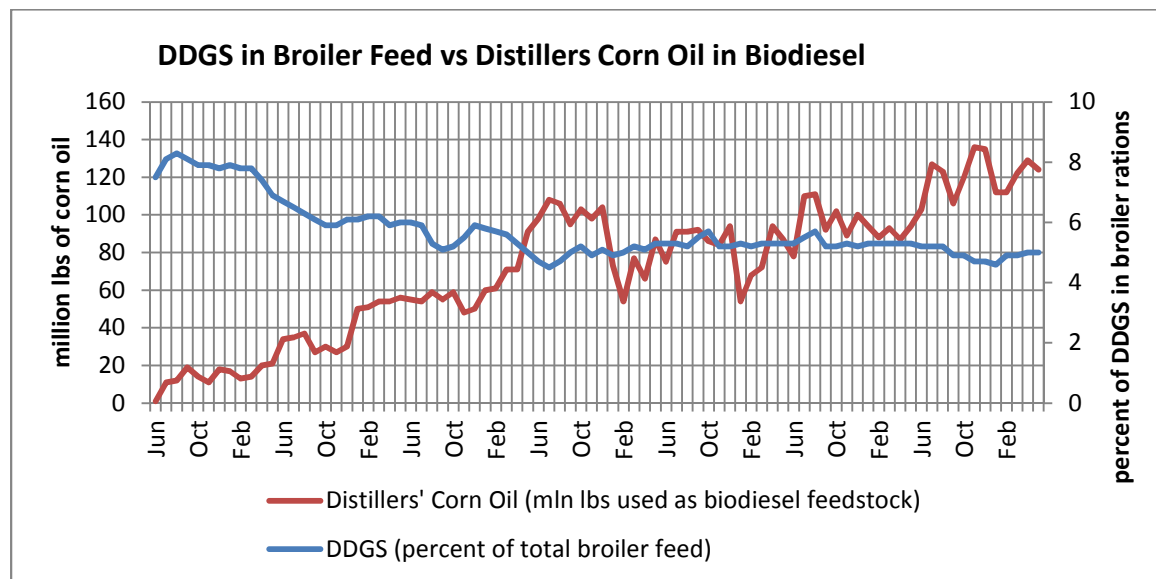
Further, the agency indicates it is considering:

... the impacts of an increasing adoption rate of distillers corn oil extraction technologies at domestic ethanol production facilities, as well as increased corn oil extraction rates enabled by advances in this technology. The projected increase in the production of distillers corn oil, if devoted entirely to biofuel production could be used to produce approximately 42 million gallons of biodiesel or renewable diesel in 2018. We believe that this is a reasonable projection.

Each bushel of corn made into ethanol via the dry mill process typically yields about 17.5 pounds of DDGS. Those DDGS are made up of protein, fat (oil) and fiber and are used in livestock feed. Each of those has a role in animal nutrition. Energy is especially important in livestock feed and by de-fatting the DDGS, energy content is removed. In order for feed to have value, energy content must be replaced. Devoting all distillers corn oil to biodiesel and diverting all distillers oil away from feed use is not a reasonable approach to the feed market and underscores the inherent food versus fuel conflict facilitated by the RFS.

Currently, most DDGS are now defatted. According to the Renewable Fuels Association, 85 percent of all ethanol production is from dry mills with oil extraction capabilities. In 2016, 1.306 billion pounds of distillers corn oil were used to produce biodiesel according to the Energy Information Administration (EIA). The resulting DDGS after the corn oil is extracted have a different profile and a different volume. From a profile perspective, there is a higher concentration of protein and of fiber as the energy and fat have been reduced.

Currently, the biggest use of DDGS is for feed for ruminants (cattle) because of the fiber content. DDGS are used in smaller percentages for feed rations for swine and poultry because of the high fiber content. De-fatted DDGS with low energy content and high fiber content are of little value for poultry. The chart below shows the use of DDGS in broiler rations based compared to the growth in the use of distillers corn oil as a biodiesel feedstock (the use of distillers corn oil is a proxy for the extraction of oil from DDGS). It shows clearly that as more corn oil was extracted from DDGS, they became a less useful feed ingredient for broiler production.



Source: NCC with AgriStats and EIA data

An aggressive RFS encouraged the extraction of distillers oil from DDGS. For this reason, NCC urges EPA to reduce the total renewable fuel mandate in the final rule.

EPA Should Use its General Waiver Authority to Lower the Total Renewable Fuel Mandate

EPA is soliciting comments on whether it would be appropriate to exercise its general waiver authority under the statute as the agency believes “that reductions in the statutory targets for 2018 are necessary.”

As stated in the proposed rule:

... in light of our review of available information, we are proposing to make those reductions under the cellulosic waiver authority alone and are not proposing any additional increment of reduction under the general waiver authority. Thus, the reductions proposed can be attributed to the significant shortfall in cellulosic biofuel production, as compared to the statutory targets.

As explained, NCC does not believe that a total renewable fuel volume of 19.24 billion gallons is “reasonably attainable” as stated by EPA. By maintaining the 2018 RVO for conventional ethanol at 15 billion gallons, especially as total finished motor gasoline consumption is projected to decrease to 142.931 billion gallons, EPA continues to:

- incentivize the over-production of corn ethanol;
- lower available necessary E0 supplies;
- incentivize ethanol exports;
- exceed the envisioned cap on corn ethanol;
- impact corn use and price;
- impact the usage of other feedstuffs such as DDGS; and
- impact RIN availability and value.

These results are all to the detriment and economic harm of the broiler industry.

At the time EISA was adopted by Congress, NCC believed that the RFS included a workable waiver provision that provided for an “off ramp” in times of economic crisis. On at least two major occasions, that belief has proven to be misplaced. In 2012, the worst drought in more than 50 years coupled with record high and very volatile corn prices was deemed insufficient to trigger a temporary waiver of the RFS. Similarly, in 2008, historically high corn prices did not trigger the waiver under EPA’s authority which led to the 3.8 percent reduction in broiler production in 2009. From 2007 through 2013, due in large part to high and volatile feed costs brought on by the RFS, at least a dozen chicken companies ceased operations, filed for bankruptcy, or were acquired by another company. That constitutes severe economic harm.

NCC requests that EPA consider the differences in the industry structure between ethanol mills and broiler producers when setting the conventional biofuel mandate. It is much more difficult for broiler producers to adjust to artificial swings in the corn market induced by the EPA’s administration of the RFS. The very high and very volatile corn prices, particularly in

2008/09 and 2012, created market incentives for broiler chicken production to contract and stymied growth in the primary broiler breeder market, making it more difficult for the industry to grow. This produced severe economic harm.

Primary breeders generate the great grandparent, grandparent, and pedigree flocks. These breeders suffered significant financial strain during periods of high corn prices as orders for day-old pullet chicks were reduced or even cancelled by chicken producers facing unprofitable feed costs under the RFS. It takes time to rebuild grandparent flocks that produce the day-old pullet chicks that mature in seven months into the mother hens that then produce broiler chicks that are put on feed. This recovery process for the production system can take a year or more. By contrast, the fermentation process for producing ethanol takes between 95 and 105 hours. Thus, in five days to a week ethanol manufacturers can adjust production, though the RFS protects them from having to do so, whereas it can take more than a year for the broiler chicken industry to adjust.

In the proposed rule, EPA states:

Ethanol supply is not currently limited by production and import capacity, which is in excess of 15 billion gallons. Instead, the amount of ethanol supplied is constrained by the following:

- *Overall gasoline use and the volume of ethanol that can be blended into gasoline as E10 (typically referred to as the E10 blendwall).*
- *The number of retail stations that offer higher ethanol blends such as E15 and E85.*
- *The number of vehicles that can both legally and practically consume E15 and/or E85.*
- *Relative pricing of E15 and E85 versus E10 and the ability of RINs to affect this relative pricing.*
- *The supply of gasoline without ethanol (E0).*

The applicable standards that we set under the RFS program provide incentives for the market to overcome many of these ethanol-related constraints.

Ethanol production is also limited by feedstock, which in the case of conventional ethanol is corn. While it is true that the 2016 corn harvest set an historic record of 15.2 billion bushels based on the third largest amount of acres ever harvested (86.8 million) and the highest average national yield (174.6 bushels per acre) ever recorded, chicken producers and other corn users nevertheless are only one drought, flood or freeze away from severe economic harm in the future because of the pressure the RFS places on the corn supply.

Since the 2007/08 corn marketing year, feed use of corn has dropped a cumulative 463 million bushels, while ethanol use of corn has increased a cumulative 2.451 billion bushels. Prior to the RFS, feed was the single largest category of corn utilization; since the RFS, ethanol use has been the single largest category of corn use in seven of the past 11 years.

Corn production is volatile. While conventional corn-based ethanol production has increased in volume year-over-year for every year since 2006 except one, corn production (necessary to provide the feedstock for ethanol) has been a lesser volume than the previous crop year in 6 of the last 11 years since the 2006/2007 crop year. And while ethanol production is on trend to increase from 15.33 billion gallons in 2016 to 15.68 billion gallons this year – a increase of 2 percent - corn production is projected by USDA to decrease 7 percent this year based on 3.25 million fewer harvested acres and a per acre yield that is down more than five bushels per acre.

Since the RFS has been in effect, per acre yields have varied by more than 50 bushels, ranging from 123.10 bushels per acre to 174.6 bushels per acre last year. In ethanol terms, 50 bushels is equivalent 140 gallons. That is a per acre variance from year to year based on corn yield. When the required volume obligations are typically proposed in May or June, the outcome of the corn crop which has just been planted cannot be predicted with any certainty, thus EPA should always err on the side of caution.

Further to the point of ethanol being constrained by feedstock, planted acres of corn have increased dramatically under the RFS because of the demand for ethanol. Those increased acres, however, impact other crops and conservation land. Since the RFS II in 2007, planted corn acres have average 91.1 million; for the 10 years prior to that, planted corn acres averaged 79 million. The EPA's proposed rule effectively locks-in a large volume for conventional ethanol in 2018 and beyond by maintaining the implied volume of conventional ethanol at its statutory maximum of 15 billion gallons. Corn produced for feedstock, however, may be limited moving forward according to the USDA's baseline projection:

*Averaging 257 million acres during the peak in 2012-14, the planted acreage of the 8 major U.S. crops (corn, soybeans, wheat, upland cotton, sorghum, rice, barley, and oats) dropped to 252 million in 2015, rebounded slightly in 2016, and is projected to decline to just under 245 million acres by 2026, **with the bulk of the decreased acreage coming from corn.***¹¹(emphasis added).

In sum, while corn production has expanded dramatically, there has been less corn available to the poultry, livestock and dairy industries as feedstuffs. Most of the expansion has been consumed by ethanol production.

A forthcoming paper to be published in the *American Journal of Agricultural Economics* (volume 99, 2017) modeled corn prices for 2015 without the RFS to be \$2.75 per bushel, instead of the actual price under the RFS averaging about 34 percent higher at \$3.68 per bushel.¹²

¹¹ Interagency Agricultural Projections Committee, USDA Agricultural Projections to 2026 (February 2017).

¹² Moschini G, Lapan H, Kim H, The Renewable Fuel Standard in Competitive Equilibrium Market and Welfare Effects, June 2017, Working Paper 17-WP 575, Center for Agricultural and Rural Development, Iowa State University.

The impact of the artificially increased corn prices due to the RFS has been particularly punitive to the broiler sector. Under the RFS, from the fourth quarter of 2006 through the second quarter of 2017, inclusive, the cumulative additional cost to the broiler industry in feed ingredient expenses alone has been \$60.348 billion.¹³

Reset of Statutory Volume Targets and Impact on Poultry Industry

Finally, NCC noted with interest that EPA discusses in the proposed rule that the conditions to trigger a reset of the statutory volume targets under the Clean Air Act 1 have been met due to past waivers for advanced biofuels, and that the Administrator has directed EPA staff to begin a technical analysis to inform a future rulemaking under the reset provision. While NCC acknowledges that EPA is not soliciting comments on the reset, we remind EPA that the reset process, per the statute, requires an analysis of, among other items:

... the impact of the use of renewable fuels on other factors, including job creation, the price and supply of agricultural commodities, rural economic development, and food prices.

The economic impact of the RFS has carried over to prices and costs on broiler birds, as well as consumer costs for poultry products. Moreover, the RFS volumes to date have had an adverse impact on the poultry industry's ability to create and maintain jobs, provide economic development in rural areas. Thus, NCC will look forward to and welcome the opportunity to comment on the forthcoming reset rule.

NCC notes there is a library of existing and relevant USDA analysis:¹⁴

- *... finding alternative methods of expanding conventional ethanol would "require time-consuming and costly development of supporting infrastructures ..."*
- *Meeting the RFS in 2022 would reduce U.S. agricultural commodity exports and increase the demand for agricultural imports as crops compete for limited land;*
- *With the RFS, corn prices were projected at 15 billion gallons, 2.2 percent higher than a pre-RFS baseline of 12 billion gallons of corn ethanol production in 2016;*
- *Market impacts of higher biofuel production include higher commodity prices, ... and higher retail food prices; and*
- *Higher prices for corn reduce the livestock sector's profitability, thereby reducing livestock output.*

¹³ AgriStats research.

¹⁴ <https://www.ers.usda.gov/topics/farm-economy/bioenergy/findings/>, accessed August 15, 2017.

Conclusion

NCC strongly supports efforts to create a more reasonable and sustainable approach to the nation's fuel policy. The compelled diversion of corn from feed to fuel uses exacts a heavy toll on the domestic chicken industry and American consumers. NCC believes the proposed volume for the total renewable fuel mandate is overly aggressive, based on faulty assumptions about the fuel market, and will cause economic harm and disruptions to the corn market and nation's feed supply and thus should be reduced further in the final rule. NCC urges EPA to use its waiver authority to reduce the conventional ethanol targets under the RFS in a manner that better reflects the actual usage in the American motor fuel supply, avoids creating inappropriate artificial demand for corn used for ethanol, and minimizes pressure on input costs for other corn users, including the broiler chicken industry.

Thank you for considering these comments.

Sincerely,

Mike Brown
President, National Chicken Council