



Testimony of

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**Before the
House Committee on Ways and Means, Subcommittee on Select Revenue Measures**

**Regarding
Review of Energy and Tax Policy
April 19, 2007**

Mr. Chairman, Ranking Member, and Members of the Committee thank you for allowing us the opportunity to submit testimony before this Subcommittee. My name is Patrick Boyle and I am president of the American Meat Institute (AMI). AMI has provided service to the nation's meat and poultry industry -- an industry that employs more than 500,000 individuals and contributes more than \$100 billion in sales to the nation's economy -- for more than 100 years.

AMI members include 250 of the nation's most well-known meat and poultry food manufacturers. Collectively, they produce 90 percent of the beef, pork, veal and lamb food products and 75 percent of the turkey food products in the U.S. Among AMI's member companies, 60 percent are small, family-owned businesses employing fewer than 100 individuals and some are publicly traded and employ tens of thousands. These companies operate, compete, sometimes struggle and mostly thrive in what has become one of the toughest, most competitive and certainly the most scrutinized sectors of our economy: meat and poultry packing and processing.

AMI member companies have been carefully observing recent developments in the renewable energy sector, specifically the impacts from the increase in demand for corn from the ethanol industry and the opportunities to contribute to American energy security by producing energy from animal fats, methane conversion, and other means. Of greatest significance in this debate is the rise in demand for corn has pressed market forces to demand higher corn prices. Consequently and among other impacts, the change in price and availability has led animal agriculture producers to consider alternatives to their feeding, nutrition, and dietary regimen. These changes can and do impact meat and

poultry quality, consumer offerings, livestock and poultry farm efficiency, and the management of livestock and poultry operations.

It is for these reasons articulated in the following testimony that AMI is asking Congress and the Administration through tax and other legislative vehicles to consider policies to support energy-based opportunities for animal agriculture, minimize adverse impacts on livestock and poultry producers and processors, and ultimately place the United States in a more competitive position in terms of energy security, diversity, and availability. Specifically, AMI supports 1) research in ethanol byproduct safety, quality, and usability and renewable energy technologies, 2) equity of incentives for all renewable energy including renewable diesel, biodiesel, and methane conversion, 3) a working lands conservation program to encourage environmentally friendly feed stuffs production, and 4) supports exposing consumers to more renewable fuels by allowing the ethanol tariff to expire.

Feed Impact on Meat and Poultry Production and Consumption

Corn is one of the largest components in the diets of livestock and poultry. Swine rations often contain about 60-85 percent corn, poultry rations contain about 65-75 percent, and beef animals often have diets averaging 35 to 65 percent shell corn – although some producers will feed 100 percent corn to beef animals as either shell corn, flaked, or silage. As a result of a significant increase in ethanol production, animal nutritionists are being confronted with a new challenge in attempting to incorporate a significant amount of ethanol's byproduct or distillers grains into existing feed rations and maintain meat and poultry quality and the economic well-being of livestock and poultry producers.

As background, the process of corn milling for ethanol creates a byproduct called 'distillers grain' with nutrient profiles that are very different than corn. For example, corn dry matter is approximately 60 - 70% starch. When starch is harvested to produce ethanol it concentrates protein and fiber, and fundamentally alters the level and dietary availability of key minerals and essential amino acids in the remaining distillers grain. If livestock and poultry producers want to incorporate distillers grain in their nutrition plan, they need to account for these differences in nutrition to keep the ration in balance with animal requirements and avoid overfeeding specific minerals. However, there are some drawbacks to supplementing feed with distillers grains. Initial research has demonstrated that animal performance measured by weight-gained/day, meat yield, leanness, environmental impact (manure production), and other factors have provided initial indicators that livestock and poultry on distiller grain rations have underperformed their corn-rationed peers.

Livestock and poultry producers manage their animal nutrition programs to maximize the daily conversion of feed into muscle protein and ultimately quality meat and poultry products. Animals fed an optimal ration will produce the highest quality meat and poultry in a limited period of time – all carefully balancing, protein, fat, tenderness, weight, muscle density, and other quality considerations in the final product. However, feed that converts slowly into protein requires livestock and poultry producers to market

fewer animals, handle more waste, and reduce the overall productivity and efficiency of the farm. Thus, if the nutrient content of the feed is unbalanced, the livestock and poultry marketed may also yield less lean meat, contain more fat, or produce a lighter animal – all very negative impacts for livestock and poultry producers, processors, and consumers.

The very high fiber content, nutrient variability, limited digestibility, and different mineral profile of distiller grains are the key limiting factors of its ability to be used as a substitute for corn. Swine and poultry in particular have difficulty digesting high fiber feed. By comparison, corn contains on average 1.95 percent crude fiber, whereas distillers grain contain between 4 and 12 percent crude fiber. For this reason and others, rations for poultry are limited to as little as 10 percent distillers grain. Swine, in some cases, can feed up to 20 percent distillers grain, and cattle can be fed up to 45 percent the normal corn ration. Higher levels of incorporation with current animal nutrition supplementation can occur, but will risk lowering meat and poultry quality, animal health, or adversely impacting farm management.

Therefore, federal research investment in applied meat and poultry nutrition could provide livestock and poultry producers with tools and supplements to help adjust their feeding regimen to incorporate distillers grains and other byproducts more easily. A number of very reputable studies on distillers grain impacts have been done. However, animal agriculture producers are in need of dietary solutions that they can employ on their farming and production operations. Research can also offset other challenges of distillers grains include the high degree of nutritional variability from plant to plant and its storage and transport problems.

Policy Recommendations

Given the nutrition and handling limitations with distiller grains and the challenge of corn demand and its availability, AMI asks that Congress consider providing federal research funding on broad-based applied research initiatives into renewable energy technologies, economics, and byproduct safety, quality, and usability (i.e. storage and transportation). Directing research on these topics will ideally provide animal agriculture producers with needed animal nutrition guidance for producing safe and high quality meat and poultry products.

The meat and poultry industry has been investing for years in farm level nutrition and management research to improve the safety and quality of meat and poultry. Livestock diets have been shown to impact microflora in the gut. It is encouraging that USDA monitoring data and the Centers for Disease Control (CDC) illness data indicate that the meat and poultry industry has made measurable and significant food safety improvements.

With the broad based introduction of distillers grains into the diets of livestock and poultry, it is critical for us to understand its impact on microflora and, in turn, on meat safety. Similarly, consumers have been continuing to add new meat and poultry products to their diets and shopping carts. Many of these new products are leaner or provide other

benefits to our customers. The continued competitiveness of meat and poultry producers is closely tied to producer's ability to provide consistent, high quality animals to our member companies. Congressionally directed research can aid this development.

Broader Energy Considerations

AMI recognizes that this dietary change is largely being driven by an energy policy that has selected certain technologies to advance. It is AMI's perspective that the U.S. and the world need a policy that supports a broad diversity of energy options and renewable energy sources to supply the energy and transportation needs of today and the future. AMI supports alternative fuels and new sources, such as those from renewable diesel, methane conversion, and biogas. Consumers and businesses can benefit from many new energy sources from such raw materials as animal fats, tallow, and animal waste products as their feed stocks as long as the law does not prejudge or unduly favor one feed stock over another.

AMI also supports a working lands environmental approach, which would remove the regulatory and/or legislative restrictions on producers that elect to grow crops on land currently locked in the Conservation Reserve Program (CRP), but still maintain environmental benefits to the land. The benefits under such a system would continue to accrue to the soil, air, and water and provide an abundant base to grow crops for food and energy.

Lastly, AMI views the renewable energy segment as a new and rapidly growing market. There remains a broad need for renewable energy infrastructure and consumer buy-in into this development. To aid consumer confidence in renewable energy and expand the market, it would be in Congressional interest to allow the ethanol tariff on imported product to expire in 2008. This would potentially expose consumers to more renewable energy and broaden the diversity of our energy sources.

Thank you for the opportunity to provide these perspectives today.