



NATIONAL CHICKEN COUNCIL

1015 FIFTEENTH STREET NW, SUITE 930  
WASHINGTON, DC 20005-2605

FOR IMMEDIATE RELEASE Friday, June 13, 2008  
CONTACT: Richard L. Lobb (202) 296-2622 ext. 119

## ***NCC Sees "Severe Harm" From Ethanol Mandate, Supports Nationwide Waiver Requested by Texas***

WASHINGTON – June 13, 2008 -- The federal government's program of requiring – and subsidizing – the use of corn for ethanol to be added to gasoline is imposing "severe harm" on the broiler chicken industry and should be scaled back, the National Chicken Council said in comments filed today with the Environmental Protection Agency.

"The Renewable Fuel Standard (RFS) has distorted the market and has imposed severe economic harm on companies in our industry through dramatically higher input costs and is imposing harm on the general public in the form of higher prices, present or impending, for food products," wrote NCC President George Watts.

He said that NCC supports a petition filed by Texas Governor Rick Perry requesting a nationwide waiver of 50 percent of the 2008 RFS of nine billion gallons of ethanol that fuel companies are required to add to motor gasoline. Fuel companies are allowed to claim a tax credit of 45 cents per gallon of ethanol added. Virtually all the ethanol produced in the country today is distilled from corn. A tariff of 54 cents per gallon is used to discourage imports of ethanol made from sugar in Brazil.

"It is clear to us that corn is linked to energy costs, and that as long as the government provides a market which fuel companies are required to supply, and are rewarded by a tax credit for doing so, and are protected from foreign competition by high import duties, corn costs will remain at historically unprecedented levels," wrote Watts. "Because poultry companies are major buyers of corn, they are among the sectors that are paying the price for the existence of this artificial market. The harm being done to these companies is severe."

The price of corn has skyrocketed since 2006, when the RFS became a major factor in the market. Corn traded at about \$2.22 per bushel on major exchanges in August 2006 but rose to the \$3.40 range by April 2007. When the House of Representatives passed an energy bill nearly doubling the RFS, or ethanol mandate, in December 2007, the price of corn promptly shot up and hasn't come down, Watts noted. Corn is now trading around \$7 a bushel, the highest level ever reached.

Broiler chicken companies bought 1.3 billion bushels of corn in 2007 and the meal from about 515 million bushels of soybeans, which have also become more expensive in tandem with corn, Watts said. The added cost to the companies from skyrocketing corn prices since October 2006 has been more than \$5 billion, he said.

"Reduction of the RFS for 2008 would provide some relief by reducing the guaranteed market for ethanol to be added to motor fuel," Watts wrote. "In such a market, corn would no doubt have considerable value as a source of fuel. However, the market, and not the government through mandate, would sort out the conflicting demands for corn."

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

##