

THE UNINTENDED CONSEQUENCES OF ETHANOL

Over the past few years, federal policymakers have pursued worthy goals of achieving greater energy independence while reducing greenhouse gas emissions. Unfortunately, their well-intended policies have had dire consequences, including a 233% increase in the price of corn over the last 2 ½ years. As the recent weather in the Midwest has shown us, multiple factors contribute to the rise in corn and food prices -- but our ethanol policy is the **only** factor within the control of policymakers.

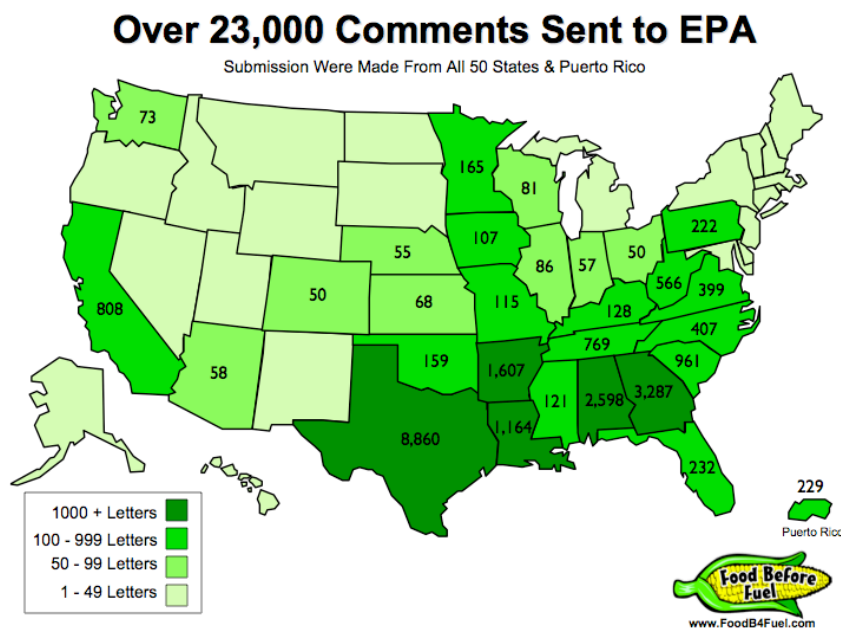
Ethanol policies have contributed to skyrocketing corn prices, higher U.S. food prices, a global food crisis, and unintended environmental problems -- all without significantly addressing U.S. energy needs. Many businesses are suffering from inflated food prices. The following points are just a few examples of the negative impact RFS mandates have had on the industries that feed our nation:

- On average, corn costs make up 30 - 40% of the total cost of raising a live bird and soybean meal contributes nearly 20%. The annual costs associated with corn and soybean meal at Tyson Foods, Inc. have **doubled from \$1 billion to \$2 billion** since 2006. (Tyson Food, Inc. open comment to EPA, 6/18/08)
- Based upon current expectations for corn plantings and yield, **over 40% of the domestic corn supply in 2008 will be used to produce ethanol**, compared to the 13% of domestic corn supply that was devoted to ethanol production in 2005. (National Cattlemen's Beef Association, open comment to EPA, 6/19/08)
- The U.S. cattle industry is currently experiencing significant losses; many cattle feeders are losing \$140 per animal. This year alone, the cattle industry has already suffered a **loss of approximately \$2 billion dollars**. (National Cattlemen's Beef Association, open comment to EPA, 6/19/08)
- On a year-to-date basis through May, wholesale food prices jumped 7.9%. These gains follow a high 7.6 increase in 2007, which represented the **strongest food price increase in 27 years**. (National Restaurant Association, open comment to EPA, 6/23/08)
- According to the National Chicken Council, the added costs to broiler chicken companies from skyrocketing corn prices since October 2006 has been more than **\$5 billion**. If corn and soybean meal prices remain high, as expected, the cumulative impact through the end of 2008 will be almost **\$9 billion**. (National Chicken Council, open comment to EPA, 6/13/08)
- Feed accounts for nearly 70% of the cost of raising live turkeys. The increase in price for both corn and soybeans has cost the turkey industry almost **\$1 billion** since November 2006. (National Turkey Federation, open comment to EPA, 6/23/08)
- Between 2006 and 2008, **U.S. corn ethanol production accounted for 75% of the growth in global demand for coarse grain and 50% of the growth in demand for all grains**. The increase in the percentage of corn diverted to fuel production has significantly contributed to the Campbell Soup Company's need to raise prices as much as four times on some grain-based products since August 1, 2007. (Campbell Soup Company, open comment to EPA, 6/23/08)

SUMMARY OF GOVERNOR PERRY'S EPA WAIVER REQUEST

On April 25, 2008, Governor Perry submitted a request to the Environmental Protection Agency (EPA) for a waiver of 50% of the mandate for the production of ethanol derived from grain, stating that he "need only to look at skyrocketing grocery prices to know that granting a waiver of RFS levels is the right thing to do." The EPA currently is reviewing Governor Perry's request and is expected to make a decision by mid-August.

More than 23,000, representing all 50 states and Puerto Rico, have submitted letters supporting the Governor's waiver request to the EPA's public docket through the Web site www.foodb4fuel.com. These 23,000 letters from across the country demonstrate broad-based support from consumers, livestock and poultry industries, restaurants, supermarkets, and others concerned with food prices, the economy, world hunger, and the environment.



The following noteworthy leaders, associations and businesses are a small representation of those who have submitted letters in support of Governor Perry to the EPA's public docket:

Members of Texas Congressional Delegation:

- Rep. Michael C. Burgess, M.D. (R)
- Rep. Joe Barton (R)
- Rep. Gene Green (D)
- Rep. Kay Granger (R)
- Rep. Michael T. McCaul (R)
- Rep. John Abney Culberson (R)
- Rep. Ron Paul (R)
- Rep. Sam Johnson (R)
- Rep. Kenny Marchant (R)
- Rep. Pete Sessions (R)
- Rep. Solomon P. Ortiz (D)
- Rep. Lamar Smith (R)
- Rep. Michael K. Conway (R)
- Rep. Mac Thornberry (R)
- Rep. Louie Gohmert (R)
- Rep. Al Green (D)
- Rep. Charles A. Gonzalez (D)
- Rep. Jeb Hensarling (R)
- Rep. Sheila Jackson-Lee (D)
- Rep. Nick Lampson (D)
- Rep. Randy Neugebauer (R)
- Rep. Ralph M. Hall (R)
- Rep. Ruben Hinojosa (D)

United States Senators:

- Senator Gordon H. Smith (R-OR)

Associations & Cooperatives:

- American Bakers Association
- American Beverage Association
- American Meat Institute
- California Poultry Federation
- Grocery Manufacturers Association
- National Cattlemen's Beef Association
- National Chicken Council
- National Pork Producers Council
- National Restaurant Association
- National Turkey Federation
- Nebraska Poultry Industries, Inc.
- Nebraska Turkey Growers Cooperative
- North Carolina Poultry Federation
- Virginia Poultry Federation
- Virginia Poultry Growers Cooperative
- Virginia State Dairywomen's Association
- United Egg Producers

Agriculture/Protein Producers:

- Agri Stats, Inc.
- Bartlett Cattle Company, L.P.
- Brookshire Brothers Food & Pharmacy
- Cagle's, Inc.
- Campbell Soup Company
- Capitol Land & Livestock
- Claxton Poultry Farm
- Dean Foods
- FarmEcon LLC
- Friona Industries, L.P.
- Henningsen Foods, Inc.
- Kraft Foods Global
- Maple Leaf Farms
- McElhaney Cattle Company
- Northside Hay Company, Inc.
- Novus International, Inc.
- O.K. Industries, Inc.
- Pilgrim's Pride
- Tyson Foods, Inc.
- Wingstop

Additionally, other political leaders have expressed their concern with grain-based ethanol mandates:

Connecticut Governor Jodi Rell sent a letter to the White House and congressional leaders on May 1.

United States Senators wrote a letter to EPA Administrator Johnson on May 2:

- Senator Kay Bailey Hutchison (R-TX)
- Senator John McCain (R-AZ)
- Senator Richard Burr (R-NC)
- Senator Mike Enzi (R-WY)
- Senator Lisa Murkowski (R-AK)
- Senator John Ensign (R-NV)
- Senator John Cornyn (R-TX)
- Senator Orrin Hatch (R-UT)
- Senator Roger Wicker (R-MS)
- Senator Robert Bennett (R-UT)
- Senator Susan Collins (R-ME)
- Senator Lindsey Graham (R-SC)
- Senator Elizabeth Dole (R-NC)
- Senator Jim DeMint (R-SC)
- Senator John Sununu (R-NH)
- Senator Johnny Isakson (R-GA)
- Senator David Vitter (R-LA)
- Senator Ted Stevens (R-AK)
- Senator John Barrasso (R-WY)
- Senator James Inhofe (R-OK)
- Senator Mike Crapo (R-ID)
- Senator Wayne Allard (R-CO)
- Senator Richard Shelby (R-AL)
- Senator Bob Corker (R-TN)

United States Congressmen wrote a letter to EPA Administrator Johnson on June 16:

- Rep. James P. Moran (D-VA)
- Rep. Tom Davis (R-VA)
- Rep. James McGovern (D-MA)
- Rep. Mike Castle (R-DE)
- Rep. Peter A. DeFazio (D-OR)
- Rep. Betty Sutton (D-OH)
- Rep. Ben Chandler (D-KY)
- Rep. Mark S. Kirk (R-IL)
- Rep. Kirsten Gillibrand (D-NY)
- Rep. Maurice Hinchey (D-NY)
- Rep. Dennis Moore (D-KS)
- Rep. John Hall (D-NY)
- Rep. Luis Fortuño (R-PR)
- Rep. Diana DeGette (D-CO)
- Rep. Frank A. LoBiondo (R-NJ)
- Rep. David Scott (D-GA)
- Rep. Michael F. Doyle (D-PA)
- Rep. Michael H. Michaud (D-ME)
- Rep. Mike Ross (D-AR)
- Rep. Steve Cohen (D-TN)
- Rep. Dave Reichert (R-WA)
- Rep. Ron Kind (D-WI)
- Rep. Shelley Berkley (D-NV)
- Rep. Frank R. Wolf (R-VA)
- Rep. Vic Snyder (D-AR)
- Rep. Peter Welch (D-VT)
- Rep. Marion Berry (D-AR)
- Rep. David Wu (D-OR)
- Rep. Brian Baird (D-WA)
- Rep. Heath Shuler (D-NC)
- Rep. Jim Costa (D-CA)
- Rep. Jim Matheson (D-UT)
- Rep. Pete Stark (D-CA)
- Rep. John T. Salazar (D-CO)
- Rep. Brad Miller (D-NC)
- Rep. Adam Smith (D-WA)
- Rep. Rosa L. DeLauro (D-CT)
- Rep. Edolphus Towns (D-NY)
- Rep. Yvette D. Clarke (D-NY)
- Rep. Barney Frank (D-MA)
- Rep. Gregory W. Meeks (D-NY)
- Rep. Jim Gerlach (R-PA)
- Rep. Paul W. Hodes (D-NH)
- Rep. Albio Sires (D-NJ)
- Rep. Rubén E. Hinojosa (D-TX)
- Rep. Michael M. Honda (D-CA)
- Rep. Allyson Y. Schwartz (D-PA)
- Rep. Michael E. Capuano (D-MA)
- Rep. Corrine Brown (D-FL)
- Rep. Niki Tsongas (D-MA)
- Rep. Mike McIntyre (D-NC)
- Rep. Peter King (R-NY)
- Rep. Ellen O. Tauscher (D-CA)
- Rep. Robert I. Wexler (D-FL)
- Rep. Raúl M. Grijalva (D-AZ)
- Rep. Doris Matsui (D-CA)
- Rep. Gene Green (D-TX)
- Rep. Ron Klein (D-FL)