November 2, 2010

The Honorable Nancy Pelosi Speaker of the House United States House of Representatives H-232 The Capitol Building Washington, DC 20515	The Honorable John Boehner Minority Leader United States House of Representatives H-204 The Capitol Building Washington, DC 20515

Dear Speaker Pelosi & Minority Leader Boehner:

The undersigned groups, representing the livestock, poultry, and meat sectors in the U.S. have serious concerns over a new proposal from the ethanol industry that would extend the expiring ethanol blenders credit and import tariff on foreign ethanol, create new corn ethanol subsidies, and change the definition of "Advanced Biofuels" to include corn ethanol in the Renewable Fuels Standard (RFS). As you prepare for the legislative work period following the elections, we encourage you to allow the current tax provision to expire in December and oppose this new proposal.

Although we support the need to advance renewable and alternative sources of energy, we strongly believe it is time that the mature corn-based ethanol industry operates on a level playing field with other commodities whose largest input cost is corn. Favoring one segment of agriculture at the expense of another does not benefit agriculture as a whole or the consumers who ultimately purchase our products.

While our industries are slowly recovering from the hike in corn prices experienced in 2008 and the recession in 2009, federal ethanol policy will continue to play a major role in increasing corn prices. Recently, the United States Department of Agriculture (USDA) revised its estimated corn crop harvest numbers, showing that corn production for this year was going to be 3.4 percent less than 2009. The two days following USDA's announcement, we saw a 17 percent increase in the price of corn. This trend could again lead to a catastrophe in the event of a crop shortage.

Ethanol production is expected to absorb 4.7 billion bushels in the 2009-2010 marketing year. Ethanol use accounted for approximately 14 percent of total corn use in 2005-2006, and that percentage is projected to grow to more than 35 percent in 2009-2010. If the definition of "Advanced biofuels," which was clearly stated in the 2007 Energy Bill, is changed to include corn ethanol, we can expect more than 50 percent of the U.S. corn crop to go into ethanol production. That would be devastating for livestock and poultry producers.

As a response to federal incentives that favor a reliance upon corn-based ethanol, current market prices are 50 percent higher relative to pre-RFS conditions. Because of this, the turkey industry has endured the deepest cutbacks of any in animal agriculture – a decrease in turkeys raised of more than 6 percent since 2007 levels and about 10 percent reduction from 2008 levels – to adjust to these increased input costs. More importantly, the turkey industry eliminated nearly 3,000 jobs vital to rural America in 2008 and 2009 alone.

The U.S. pork industry endured the two most challenging years in the industry's history in 2008 and 2009. Total losses for the industry amounted to more than $6.2 billion, and average farrow-to-finish operations lost nearly $23 for each animal marketed from October 2007 through January 2010. This financial disaster occurred despite near-record hog prices in 2008. The cause of the losses was higher production costs driven primarily by higher corn and soybean prices. Even now, projected production costs for 2010 are 25 percent higher than the costs that prevailed from 2000 through 2006.

From December 2007 to February 2010 the cattle feeding sector of the beef industry lost a record $7 billion in equity due to high feed costs and economic factors that have negatively affected beef demand.

Rising grain prices driven by the voracious demand for feedstock from the heavily subsidized ethanol industry contributed to an increase of 16 percent in the retail composite price of broiler chickens from September 2006 to September 2010. Channeling even more corn into ethanol will, in time, only drive up the cost of chicken even more. Consumers will end up paying for the ethanol industry's demands. It is time to put an end to interference in the market and government mandates that benefit the ethanol industry and raise the price of corn.

The meat and poultry industry directly and indirectly employs 6.2 million people. The total contribution of the meat and poultry industry in terms of economic output to the U.S. economy is more than $832 billion – nearly 6 percent of total GDP.

Like much of the American economy, the meat and poultry industry is working to make progress after some difficult years. Now is not the time to further harm this critical industry, which feeds America's families, by providing even more support for corn ethanol.

We support energy independence and the development of the renewable fuels industry, but we also support free, fair markets. This new proposal does nothing to develop the next generation of renewable fuels derived from non-feed and food sources. The federal government should move towards biofuels policies that do not force food and energy producers to compete with each other for key inputs and do not pick winners and losers in the alternative energy sector. We strongly encourage you to oppose an extension of the expiring corn ethanol blender's credit and import tariff on foreign ethanol and this new proposal by the mature corn ethanol industry.

Sincerely,

American Meat Institute
National Cattlemen's Beef Association
National Chicken Council
National Meat Association
National Pork Producers Council
National Turkey Federation