

July 20, 2009



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Docket Clerk
Environmental Protection Agency Mailcode: 6102T 1200 Pennsylvania Avenue,
NW Washington, DC 20460
RE: Docket No. EPA-HQ-OAR-2009-0211

Notice of Receipt of Clean Air Act Waiver Application to Increase the Allowable
Ethanol Content of Gasoline to 15 Percent

Texas Cattle Feeders Association (TCFA) appreciates the opportunity to provide comments per the request published in the Federal Register on April 21, 2009 (Volume 74, Number 75 Pages 18228-18230) with regard to Growth Energy's waiver application to increase the allowable ethanol level in gasoline from 10 percent to 15 percent. We oppose the waiver request and respectfully urge the Environmental Protection Agency (EPA) to delay any decision until an independent and comprehensive analysis is completed regarding the effects that such a waiver would have on all users of feedgrains.

TCFA represents cattle feeders and feedyards in Texas, New Mexico and Oklahoma—an area that markets almost 30% of the nation's fed beef, or 6.5 million head annually. Texas is the nation's largest beef producing state, and cattle production plays a significant role in our state, regional and national economies, accounting for \$50 billion in U.S. farm-gate receipts – 20 percent of all on-farm income.

Corn ethanol production is significant to the cattle industry because of its impact on feed grain prices. While the government's ethanol policy (the RFS, blender's credit and ethanol tariff) is not the only thing reason for the increase in corn prices, it is certainly a major factor. One need only to look at the price trends for corn since the federal government began its big push for ethanol to see a correlation: More corn being diverted for ethanol production has meant much higher prices for livestock feed, which has contributed significantly to high production costs and record losses.

Since January of 2008, cattle feeders have lost a record \$5.2 billion in equity due to high feed costs and economic factors which have negatively affected beef demand. According to the United States Department of Agriculture (USDA) Economic Research Service (ERS), in 2008, feed costs for livestock, poultry and dairy reached a record high of \$45.2 billion – an increase of more than \$7 billion over 2007 costs. Yet farm gate cattle and calf receipts have essentially remained flat, at between \$49 and \$50.2 billion during the past five years. As of late, the biggest problem for the cattle industry has been that corn prices have not paralleled the deflationary trend across the entire economy — a direct result of government mandates for ethanol production.

Before the government mandates an increase in the percentage of ethanol blended into gasoline, an independent and comprehensive assessment must be performed in order to determine how such an increase will impact corn and cattle markets, and if corn production will be able to accommodate a higher mandate. It

is important for the government to evaluate how any changes to the Renewable Fuel Standard (RFS) will affect all industries that depend on corn, not just the ethanol industry. Increasing the blend percentage before a thorough assessment is complete will have serious ramifications on all industries that use corn.

A recently released economic study conducted by Advanced Economic Solutions concluded that "raising the blend rate will exacerbate an already precarious situation in the corn markets." Likewise, a study conducted by FarmEcon LLC concluded that "U.S. biofuels policies and regulations contain inherent contradictions and have also resulted in significant economic damage to diverse sectors from inside and outside of the energy industry. Increasing the maximum blend of ethanol in gasoline, combined with higher 2010 Renewable Fuels Standard requirements, will increase cost pressures on both ethanol and food producers." Both studies have been attached to these comments for your review.

Cattlemen are committed to energy independence and the development of the renewable fuels industry. However, this energy commitment continues to create challenges for cattle producers. Due to punitive tariffs on imported ethanol and the fact that commercial production of cellulosic ethanol is still several years away, an increase in the blend percentage will predominately affect grain based feedstocks. It is projected that increasing the blend percentage from 10 percent to 15 percent would require an immediate 4.5 billion gallons of ethanol, and would require approximately 1.6 billion bushels of corn. Based on 2008 yields, 10.4 million more acres of corn would need to be planted to reach this level. The additional 1.6 billion bushels of corn for a 15 percent blend is nearly equivalent to the two billion bushels of corn the cattle industry converts into beef in one year. Increasing the blend percentage before assessing how the market or production will be able to adjust is favoring one segment of agriculture at the expense of another.

Cattle producers support an open and free market as the best driver of competition and innovation in all industries, including the renewable energy sector. Artificially diverting more of the corn crop to ethanol production, without considering the possible negative impacts on other industries, is bad public policy. Increasing the blend percentage to 15 percent would drastically affect the cattle and corn markets, as the government would be forcing more corn into ethanol production than what the market would bear on its own. Increasing the amount of ethanol blended into gasoline to 15 percent would divert essentially half of our nation's corn crop to ethanol production with no discernable ability to increase acreage to accommodate this increase. This will create even more volatility in the grain market, which is already four times more volatile today than it was just four years ago.

TCFA appreciates the opportunity to comment on Growth Energy's waiver, and we encourage EPA and the Administration to carefully evaluate how an increase in the ethanol blend percentage would impact all users of corn before any decisions are made. U.S. renewable energy policies need to be closely examined in order to determine that there are no unintended consequences and that the government is not benefiting one sector of the economy to the detriment of another.

Sincerely,

A handwritten signature in black ink that reads "Ross Wilson". The signature is written in a cursive, flowing style.

Ross Wilson
President & CEO