



National Grain and Feed Association **News Release**

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NGFA Says EPA-Proposed RFS-2 Recordkeeping Burdensome, Would Create Inefficiencies in U.S. Grain-Handling System

WASHINGTON – Onerous and burdensome recordkeeping requirements that would be imposed under the Environmental Protection Agency's (EPA) proposed renewable fuels standard (RFS-2) would add unnecessary costs and inefficiencies to the U.S. grain-handling system, according to the National Grain and Feed Association (NGFA).

In a statement submitted recently to EPA, the NGFA cited the agency's proposals designed to implement a congressional mandate that renewable biomass eligible to be counted toward meeting the required increase in biofuels production be derived from plant crops and crop residues from land cleared or cultivated prior to Dec. 19, 2007. The Energy Independence and Security Act of 2007, signed into law on that date, requires use of 15 billion gallons of renewable fuels by 2015, with an increase to 36 billion gallons by 2022. The law also requires the blending of 1 billion gallons of biodiesel produced from vegetable oils and animal fats by 2012.

Established in 1896, the NGFA consists of more than 1,000 grain, feed and feed ingredient, grain processing, milling, export, biofuels and other grain-related companies that operate about 6,000 facilities that handle more than 70 percent of all U.S. grains and oilseeds.

EPA proposed several recordkeeping options that renewable fuel manufacturers would be required to use to document that feedstocks being used for biofuels production originate from eligible land. Specifically, the agency proposed that biofuels manufacturers be required to: 1) obtain and verify the accuracy of documentation from suppliers that

feedstocks are derived from eligible land; 2) certify on renewable fuel production reports submitted to EPA that feedstocks being used meet the land-restriction requirements, retaining sufficient records to support such claims; 3) establish and maintain a quality-assurance program of sufficient “rigor” to demonstrate feedstocks originate from eligible land; and/or 4) develop an industry-wide quality-assurance program that utilizes independent audits of feedstock suppliers.

The NGFA said EPA’s proposed options are excessive and unwarranted, given the “minimal-to-nonexistent” risk that new land would be cleared for renewable fuels production in the United States. The NGFA cited federal data that showed non-federal forested land in the United States has remained fairly constant since 1982, while U.S. cropland acreage has declined. That makes it “very unlikely” that any “new” land brought into production would have been uncleared, uncultivated and forested previously.

Yet, the NGFA said, imposing such a recordkeeping requirement to create a tracking system that currently does not exist would impose significant costs and constraints on existing storage, transportation and distribution systems for feedstocks, particularly for corn and soybeans – a fact acknowledged by EPA. For instance, the NGFA said, EPA’s recordkeeping proposal could require grain elevators to create a system to identify and document whether each and every load of feedstock received met the eligible-land requirement, and then segregate those feedstocks in identity-preserved storage so they would not be commingled with other, potentially non-compliant stocks.

For grain elevators, the NGFA said, EPA’s proposed recordkeeping requirements would “disrupt” efficient facility operations and raise grain-handling costs, which would be reflected in commodity prices. “Conversely, grain elevators simply could choose not to participate in the renewable biomass program because of these operational and cost burdens, denying the use of these feedstocks to the renewable fuels market,” the NGFA said.

Rather than imposing a burdensome, costly recordkeeping regime on all renewable fuel manufacturers and their feedstock suppliers for what EPA itself believes will be a very low level of noncompliance, the NGFA suggested that EPA consider more

appropriate alternatives to verify that renewable biomass is not derived from ineligible land. For instance, the NGFA said EPA could utilize existing U.S. Department of Agriculture conservation and farm program data that track cropland usage and impose restrictions on clearing of previously unused land, as well as existing satellite and aerial imagery and mapping software used to monitor land usage, the NGFA said.

In its statement, the NGFA also urged EPA not to use “unproven models” to make assumptions regarding indirect land use changes that potentially could result from increased U.S. biofuels production. “We believe that the science on indirect land use is very immature, and the models used by the agency are not sufficiently developed to provide validated outcomes on which to base sound, science-based regulations,” the NGFA said.

As an example of faulty conclusions resulting from EPA’s modeling of indirect land use, the NGFA cited the major assumption made by EPA that 34 million acres will remain in USDA’s Conservation Reserve Program (CRP) – even if crop prices and U.S. land values increase as a result of increased feedstock demand. By assuming the CRP will remain at 34 million acres, EPA’s model limits potential U.S. acres available for crop production in response to growing biofuels demand and inflates adverse indirect land use changes in foreign countries, the NGFA said.

The NGFA told EPA that recognizing the potential for non-environmentally sensitive cropland to exit the CRP as contracts expire, in response to growing demand, makes more sense than relying upon unproven modeling of indirect land use changes in other countries. EPA’s model, based in part on the CRP assumption, found that both corn-based ethanol and soy biodiesel would be disqualified from meeting the tighter greenhouse gas emission targets mandated by Congress under the new U.S. renewable fuels standard largely because of the indirect land use calculation.

The NGFA’s membership encompasses all sectors of the industry, including country, terminal and export grain elevators; feed and feed ingredient manufacturers; cash grain and feed merchants; end users of grain and grain products, including oilseed processors, corn refiners, flour millers, and livestock and poultry integrators; biofuel

manufacturers; commodity futures brokers and commission merchants; and allied industries. Canadian and Mexican firms also are NGFA members, and use its Trade Rules and Arbitration System by specific reference in their contracts.

The NGFA also consists of 35 affiliated state and regional grain and feed associations, as well as two international affiliated associations. It has strategic alliances with the Pet Food Institute and the Grain Elevator and Processing Society, and is co-located and has a joint operating and services agreement with the North American Export Grain Association.

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