RFS Waiver May Offer Little for Beef Producers

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by ***Barb Baylor Anderson***

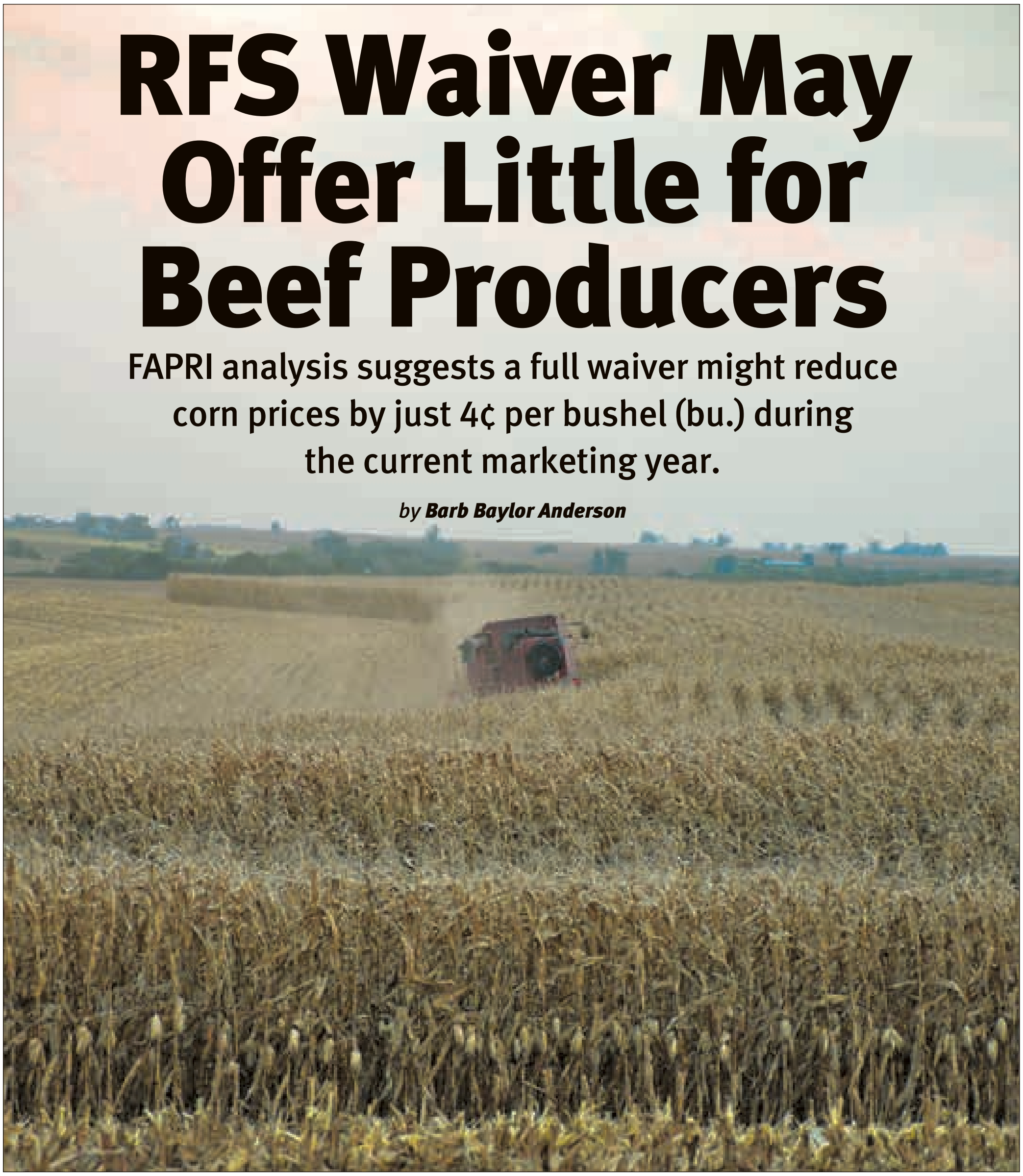

PHOTO BY MATHEW ELLIOTT

Beef producers may see little relief in the way of feed costs or availability, if the U.S. Environmental Protection Agency (EPA) grants the short-term Renewable Fuel Standard (RFS) waiver sought by some groups. Recent analysis completed by the Food and Agriculture Policy Research Institute at the University of Missouri (FAPRI MU) suggests a full waiver might reduce corn prices by just 4¢ per bushel (bu.) during the current marketing year and only increase corn available for livestock feed by 25 million bu. The analysis also estimates the waiver would have almost no effect on retail beef prices in 2013.

FAPRI's analysis explored the effects of a full waiver of the RFS on corn prices, corn demand, ethanol output, imports and exports, and numerous other agriculture and biofuel market factors. The report found a waiver might be expected to reduce corn use for ethanol by just 1.3% in 2012-2013 and reduce corn prices from $7.87 per bu. to $7.83 per bu. The following marketing year, corn use for ethanol might fall 6.6% and corn prices might decrease 3.2%.

"Waiving the mandate would have limited impact if the market uses almost as much as the mandate anyway. Extra biofuel use in one year typically can help meet the next year's mandate also," says Wyatt Thompson, one of the authors of the study. "If permitted, a waiver in 2012-2013 could make it far easier to satisfy the RFS in 2013-2014, when limits on ethanol blending make mandate compliance difficult and create a bigger decrease in corn prices. But if the waiver does not allow biofuel use in 2012-2013 to count against the mandate the next year, the mandate might be more difficult to meet in 2013-2014, and corn prices could be higher than without the waiver."

FAPRI's 2013-2014 projection is based on the assumption that RFS credits (RINs) would still be generated during the period of a waiver and allowed to roll forward for compliance in 2013-2014.

If EPA allowed RINs to continue to be generated during the waiver period and carried forward, FAPRI estimates 2013-2014 corn use for ethanol would fall 354 million bu., corn use for feed would increase 112 million bu., and corn prices would drop from $5.22 per bu. to $5.05 per bu.

If RINs are not generated during the waiver period, FAPRI expects 2013-2014 corn use for ethanol to increase 88 million bu., corn use for feed to decrease 42 million bu. and result in corn prices rising from $5.22 per bu. to $5.28 per bu.

The FAPRI study also found that supplies of feed co-products generated by the biofuels industry, including distillers' grains, would fall marginally with a waiver and prices would rise.

"Lower corn prices would lead to slightly lower feed costs for livestock, although they would be partly offset by slightly higher soybean meal and distillers' grain prices," says Thompson.

A large and diverse coalition of meat and poultry organizations has a different perspective, having asked EPA to waive the federal mandate for one year. In a petition to EPA Administrator Lisa Jackson, the coalition asked for a waiver "in whole or in substantial part" of the amount of renewable fuel that must be produced under the RFS for the remainder of the current year and for the

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>
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portion of 2013 that is one year from the time the waiver becomes effective.

The groups contend the RFS requires 13.2 billion gallons (gal.) of corn-based ethanol to be produced in 2012 and 13.8 billion gal. in 2013, amounts that will use about 4.7 billion and 4.9 billion bu. of corn, respectively. Based on current drought-stricken 2012 corn production estimates, the groups note that corn-ethanol production would use about four of every 10 bu.

The RFS has "directly affected the supply and cost of feed in major ag sectors of this country, causing the type of economic harm that justifies issuance of an RFS waiver," said the coalition in its petition. EPA does have the authority to waive the mandate because of severe economic or environmental harm caused by the annual renewable fuel volume that must be produced.

"I support American ethanol and what it has done for rural communities in Nebraska and in many other states throughout the country," says J.D. Alexander, National Cattlemen's Beef Association (NCBA) president. "What I do not support are federal mandates picking winners and losers and a federal government sitting patiently by, forking over taxpayer dollars to artificially inflate the price of corn for livestock producers and other end users. I find it concerning to the viability of the livestock industry that these mandates are allowed to continue today in the worst drought I have seen in my lifetime. This isn't rocket science. Implement the law, waive the RFS, let the market work and embrace free-market principles."

Meanwhile, the Renewable Fuels Association (RFA) says the FAPRI study adds to a mounting body of evidence showing that a waiver of the RFS would not meaningfully impact feed prices.

"The new FAPRI study is just the latest in a series of recent reports that show waiving the RFS would not have the types of impacts claimed by livestock groups and grocery manufacturers," says RFA President Bob Dinneen. "The suggestion that an RFS waiver would significantly bring down feed prices and reduce retail meat prices is absolutely absurd. The only real impacts of a waiver would be to discourage farmers from planting corn next spring and to interrupt and delay important investments in new feedstocks and advanced biofuels technologies."

The entire report is found at *www.fapri.missouri.edu/outreach/publications/2012/FAPRI_MU_Report_11_12.pdf.*