



February 25, 2013

Senator Jackie Dingfelder
Chair, Senate Environment and Natural Resources Committee
900 Court St. NE, S-407
Salem, OR 97301

Representative Jules Bailey
Chair, House Energy and Environment Committee
900 Court St. NE, H-274
Salem, OR 97301

RE: Sunset of Oregon's low carbon fuel standard – opposition to HB 2237, HB 2791, SB 488

Dear Senator Dingfelder and Representative Bailey:

The Northwest Food Processors Association (NWFPA) urges the legislature to allow the low carbon fuel standard program to sunset in 2013, rather than extend it. NWFPA serves as the voice of the food processing industry in Washington, Oregon and Idaho, representing small, medium and large processors of fruit and vegetable, seafood, dairy, poultry, bakery, specialty and fresh-cut food products.

Food processing is the third largest manufacturing employment sector in Oregon and the Northwest, with over \$42.5 billion in regional economic impact. Food processing is also an energy intensive industry and is the second largest industrial user of energy in Oregon. NWFPA has developed an Energy Roadmap to guide food processing's efforts to achieve very aggressive goals of reducing industry-wide energy intensity by 25% in 10 years through existing technology and by 50% in 20 years through innovation, new technologies and new resources.

NWFPA is particularly concerned that the carbon reduction targets in the standard will force increased use of corn ethanol. There are currently no commercially available alternative fuels, except ethanol, that could possibly supply the levels required by the standard.

Due to the heavy reliance on corn-based ethanol to achieve the low carbon standards, repealing the sunset will have a very negative impact on food prices. The diversion of corn from food and feed production to fuel production reduces this supply and puts significant upward pressure on corn prices, which in turn affects all food products that depend on corn for their production.

Corn is used as an input in a variety of different food products: as a beverage sweetener; in bakery and snack food products; by frozen food companies in single- and multi-ingredient frozen foods; in a dried form for soup and spice ingredients; and for cattle and chicken feed. Corn is used in 75% of the food on supermarket shelves and all of those products are subjected to price impacts by the diversion of corn for ethanol production.

As corn markets become distorted, other commodities are also affected. Wheat typically tracks corn prices, so when the low carbon fuel standard drives up corn prices, wheat follows.



Additionally, the higher demand for corn pushes farmers to plant more of that particular crop, causing wheat acreage to decline significantly, consequently affecting supply and price.

There is also a significant impact on the dairy, beef and poultry industries because corn is an important source of livestock feed. U.S. feed grain markets are at levels far above those of recent decades with the emergence of the ethanol industry as a major source of corn demand. Higher feed costs drive farm milk prices higher and make domestic dairy products less competitive with foreign imports. Likewise, chicken and beef prices are driven higher. In fact, local chicken processors have seen feed prices increase by as much as 30%.

Experience with the federal Renewable Fuel Standard has provided ample evidence of these impacts. Nearly 40% of the U.S. corn crop in 2011-12 was converted to ethanol and blended with gasoline. Projections indicate that by 2016, corn ethanol will use 43% of the U.S. land that was originally harvested for crops in 2004. This is an unsustainable path for food production and the Oregon low carbon fuel standard will only exacerbate the problem in the Pacific Northwest.

Worse yet, the impacts are most directly felt by those least able to afford it. The working poor, people living on the margins of society, and the middle class all feel a disproportionate impact on their family budget. Furthermore, there is evidence that ethanol blended fuel in higher concentrations is more corrosive than traditional gasoline and damaging to certain engine parts in cars older than 2001. That impact will be felt by the same group of people and there is clear evidence that since the beginning of the Great Recession, the existing fleet of vehicles on the road is much older than it has been in recent decades.

Rather than extend the low carbon fuel standard with all of the associated concerns mentioned above, the state would be much better served by investing in research and development in second and third generation biofuels that do not rely on corn-based ethanol to achieve lower greenhouse gas emissions. Oregon can and should be a leader in low cost and reliable energy resources that are critical for retaining and growing the state's manufacturing sector, which provides family-wage jobs for Oregonians and supports the state's economy. The low carbon fuel standard is not the means toward that end and should be allowed to sunset.

Sincerely,

A handwritten signature in blue ink, appearing to read "James Curry".

James Curry
Director, Government Affairs

CC: Senator Peter Courtney, Senate President
Representative Tina Kotek, Speaker of the House
Honorable Members, Senate Environment and Natural Resources Committee
Honorable Members, House Energy and Environment Committee