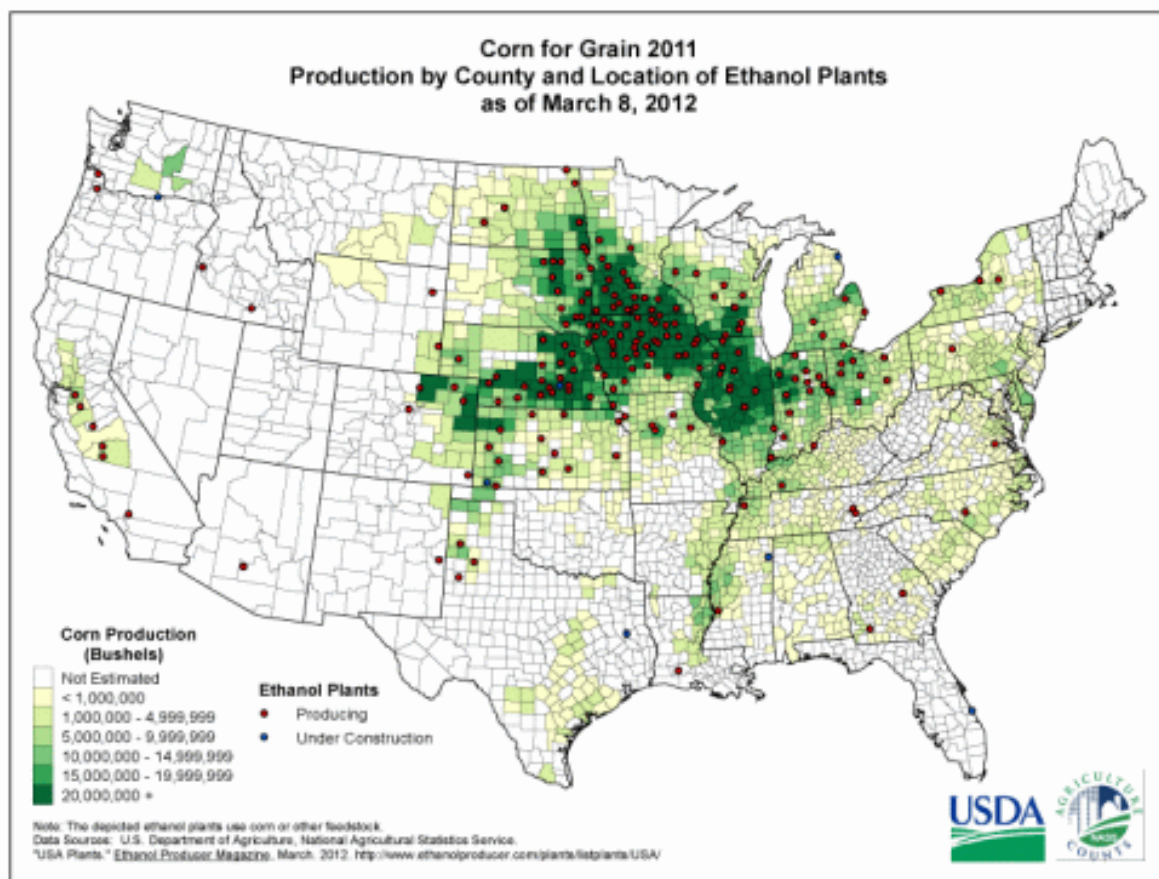


Food Before Fuel Is a Fight Between the States

Governors from 8 states – Delaware, Maryland, Arkansas, North Carolina, Georgia, New Mexico, Texas and Virginia – have written EPA requesting or supporting others' requests for a waiver of the Renewable Fuel Standard. Nearly all of these states are from the Southern Seaboard agricultural region (defined as Delaware, Maryland, Virginia, North Carolina, South Carolina, Georgia, Alabama, and parts of Mississippi, Louisiana, Texas and Arkansas). Nearly all of these states produce small amounts of corn, primarily as animal feed, but not large volumes of conventional biofuel.



Statements by the governors indicate that the drought has impacted their states' abilities to both grow corn *and* obtain it at low cost from other states for their animal feed industries.

Gov. Jack A. Markell (D-Del.), Gov. Martin O'Malley (D-Md.), Aug. 9, 2012:

"It is expected that our farmers will experience at least a 40% yield reduction in this year's corn crop alone, which does not account for the fact that this is the third consecutive year in a row that corn yields in our region will be significantly

below estimates. Therefore, the region has had to supplement its additional corn needs from the eastern corn belt, primarily Indiana, Ohio and Michigan, which have also suffered through months of a prolonged drought.”

Gov. Mike Beebe (D-Ark.), Aug. 13, 2012:

“The declining outlook for this year’s corn crop and accelerating prices for corn and other grains are having a severe economic impact on the State, particularly on our poultry and cattle sectors....

“Broilers, turkeys, and cattle – sectors particularly vulnerable to this corn crisis – represent nearly half of Arkansas’s farm marketing receipts. Arkansas poultry operators are trying to cope with grain cost increases and cattle families are struggling to feed their herds.”

Gov. Beverly Perdue (D-N.C.), Aug. 14, 2012:

“North Carolina is heavily dependent on feed produced elsewhere to support its pork and poultry industries and conditions that affect the price of feed nationally obviously affect the price of feed in our state.”

Gov. Nathan Deal (R-Ga.), Aug. 20, 2012:

“In addition to the direct economic damage from drought within the border of our state, Georgia is heavily dependent on grain produced in other states to support its poultry and livestock industries....

“Poultry and livestock are critically important components of the state’s economy, representing over 50 percent of Georgia’s farm gate value, while broilers alone account for over 40 percent of farm gate value.”

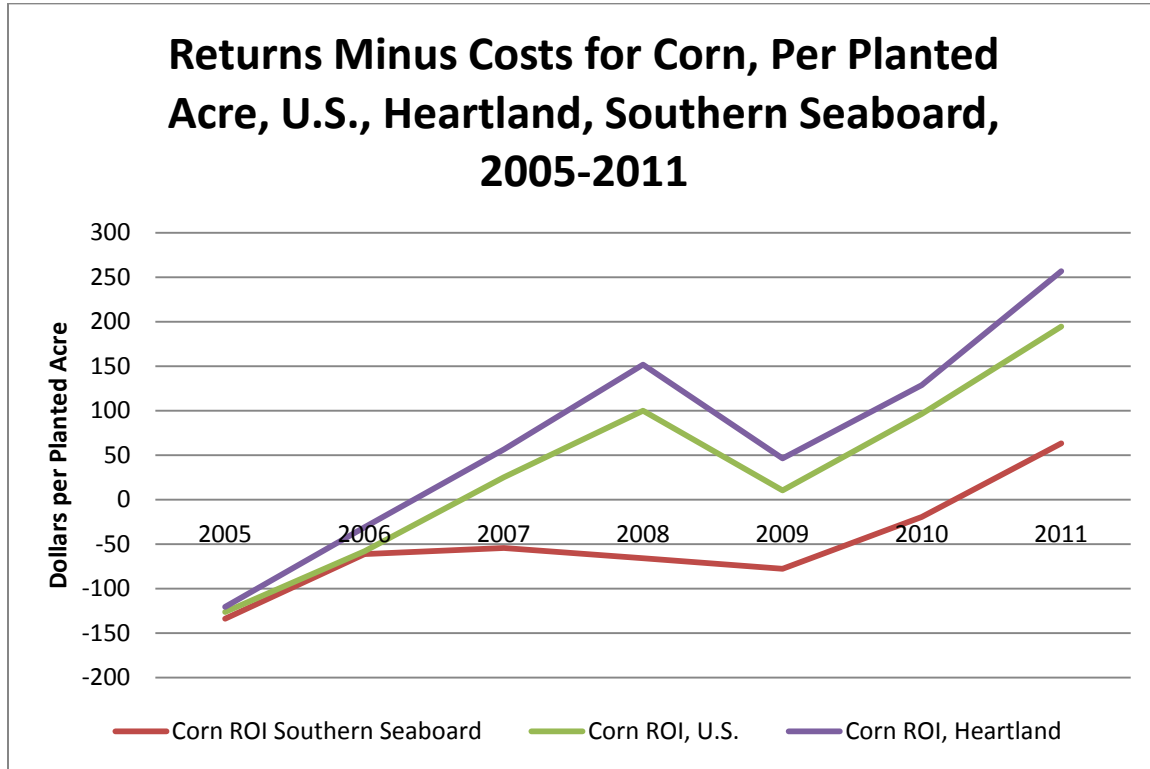
Gov. Susana Martinez (R-N.M.), Aug. 20, 2012:

“New Mexico’s agricultural economy is primarily composed of dairy and range livestock production. These two industries require large feed inputs for their animals due to the drought, resulting in an exponential increase for feed costs.”

Gov. Robert F. McDonnell (R-Va.), Aug. 27, 2012:

“Virginia’s livestock and poultry industries are the largest sectors of the state’s agricultural economy.... More than 70 percent of all agricultural farm market value for the Commonwealth. Virginia is heavily dependent on corn and other feed produced elsewhere to support its poultry, dairy, swine and cattle industries.”

Southern Seaboard states have large livestock industries but relatively little biofuel or industrial demand for corn. The costs of growing corn in those states were higher than the earnings per planted acre up until 2011. The return on costs for planting corn in the Southern Seaboard region was much lower than the national average and the Heartland region.



<http://www.ers.usda.gov/data-products/commodity-costs-and-returns.aspx>

The primary difference in the cost/return calculation was the value of the production per acre. Overhead costs – which include land rents – in Southern Seaboard states were much lower than the national average. Yield per acre may play a role in the difference, but is not uniformly lower across any tier of the country.

Additional markets for corn – such as conventional biofuel production – could add value to corn grown in the Southern Seaboard states.

