



Virginia Poultry Federation

January 2009

Dear General Assembly Members:

As the 2009 session gets underway, I write on behalf of Virginia Poultry Federation (VPF) to wish you a productive legislative session and to share information about the poultry industry in Virginia and our views on several important issues.

Poultry and eggs are Virginia's leading agricultural sector, creating thousands of jobs in rural areas and supporting the livelihoods of farm families that raise chickens, turkeys, and eggs. Farm income generated by poultry industry investment in Virginia helps conserve open spaces by keeping farmland in production. Without this industry, Virginia's rural landscape and character would give way to accelerated development and its associated environmental challenges.

Please continue to partner with us to ensure that poultry continues to be a farmland-preserving, job-creating industry for Virginia. We respectfully ask for your support on the issues described below. Please do not hesitate to contact me if you would like additional information about these issues or our industry.

Sincerely,

A handwritten signature in black ink that reads "Hobey".

Hobey Bauhan, President

Corn Ethanol Mandates, Subsidies, Tariffs: Policies in Dire Need of Reform

The poultry industry's biggest economic challenge comes from a federal issue, on which we request state support. This is the federal policy that artificially inflates the cost of feeding poultry and livestock by diverting corn to produce ethanol. Federal law provides a tax credit (46 cents/gal.) that subsidizes the cost of ethanol blended into gasoline and an import tariff (54 cents/gal.) that protects the ethanol industry from foreign competition. The federal Renewable Fuel Standard (RFS) mandated nine billion gallons of ethanol in 2008 and requires 15 billion gallons by 2015. This required more than a third of the U.S. corn crop in 2008. That figure could rise to more than 45 percent as the mandate escalates in coming years. (Even at its peak, the mandate will offset less than 10 percent of the petroleum used in gasoline. Last year, the offset was less than five percent.)

Feed makes up more than 70 percent of the cost of poultry production, and our feed costs have increased by some 90 percent since the RFS mandate first took effect in 2006. In the months following Congress' doubling of the RFS in December 2007, corn prices reached an unprecedented \$8.00 per bushel (compared to a range of \$2-3 during most normal crop years prior to enactment of the RFS policy). During 2008, U.S. poultry feed costs totaled \$21 billion, \$5 billion dollars higher than in 2007 and almost \$10 billion more than in 2006. Although corn prices did go down in the last months of 2008, they remain artificially inflated. In fact, they have started to go up again as the RFS increases and the crop outlook is more uncertain than usual.

Unlike ethanol producers, who have a guaranteed market, the poultry industry cannot easily pass these costs along due to the supply-demand marketplace in which we operate. Dramatically higher feed costs, in conjunction with other factors, caused the poultry industry to lose more than \$4.4 billion in 2008. The nation's largest poultry company, which has operations in Virginia, has filed for Chapter 11; some smaller companies in other states have simply shut their doors, leaving growers and employees in a very difficult position. Most companies, including operations in Virginia, have cut production, which means farmers have fewer birds to grow and receive less income.

For consumers, the ethanol program has contributed to food prices that are rising at the fastest rate in two decades, increasing by 7.6 percent in the first seven months of 2008, which is twice the core of inflation (inflation less food and energy). Moreover, economic studies suggest that the worst is yet to come as the ethanol mandate escalates. Perhaps the harshest impacts are in developing countries. By one estimate, biofuels policies in the U.S. and E.U. are pushing 30 million people into poverty and increasing hunger around the globe.

The broad and diverse Food Before Fuel Coalition includes food producers, hunger groups, environmental groups, and others. Additional information, including the ethanol program's negative impact on the environment, may be found at www.foodbeforefuel.org. VPF is certainly not opposed to renewable fuels and we support efforts to reduce the nation's dependence upon foreign oil, but the current food to fuel policies present serious problems that cry out for reform.

States, primarily through their Governor, have power to petition EPA for a waiver of the RFS in the event of severe economic harm or other circumstances. However, Congressional action is urgently needed. It is critical that states let their Congressional Delegations know that reform of the ethanol program is necessary. VPF asks Virginia elected officials to convey support for reform to the Virginia Congressional Delegation and President-elect Barack Obama.

Sensible Immigration Policy

VPF supports federal immigration reform that secures the nation's borders, improves the employment verification system, and establishes an adequate guest worker program to provide legal immigrant workers to fill essential jobs for which U.S. citizens are not available. Virginia has enacted sensible, reasonable measures that penalize employers

proven to be bad actors and enhance law enforcement's capacity to deal with undocumented persons that commit crimes. VPF opposes proposals at the state level that are preempted by federal law and burden or penalize employers, such as the poultry industry in Virginia, that diligently follow federal immigration policies.

Restoration of the Chesapeake Bay and Enhancing Virginia's Rivers and Streams

VPF supports the application of scientific research, innovative technology, and cost-effective best management practices to restore the Chesapeake Bay and protect the health of Virginia's rivers and streams. The poultry industry has been a proactive steward of Virginia's natural resources. Some major efforts include upgrading poultry plant wastewater treatment facilities, use of phosphorus-based nutrient management plans on poultry farms, investing in manure-to-energy technology, use of the phosphorus-reduction enzyme Phytase in feed mills, and supporting a manure transport incentive program.

The state has identified the level of BMP implementation necessary to achieve the Commonwealth's water quality goals. VPF is part of a unique partnership of farming and environmental groups that supports reliable, consistent, and sufficient funding for the Agricultural Best Management Practices (BMP) Cost-Share Program and adequate operational funds for soil and water conservation districts to implement the program. Both the Agriculture and Conservation Partnership for Water Quality and the Department of Conservation and Recreation determined that Virginia's agricultural BMP funding need and capacity would grow in Fiscal Year 2010. However, due to the slowing state economy, the proposed budget does not address the full need for Fiscal Year 2010 but retains critical, level funding. Please adopt a minimum of level funding for this vital program.

While DEQ has regulated poultry litter (manure and bedding) management on poultry farms for many years, the agency is now developing regulatory requirements for other farmers that buy litter for use as a fertilizer. VPF supports the voluntary use of nutrient management plans on all farms. However, we are concerned that singling out transferred poultry litter for regulation, when farmers can easily switch to another source of nutrients, creates an unlevel playing field that will hurt the market for litter, diminishing its value to poultry farmers and stranding it on poultry farms. In the vast majority of cases, farmers that pay for fertilizer, including poultry litter, manage the product carefully to avoid loss of nutrients in runoff. Additional regulation is burdensome and unnecessary.

Funding for Land Grant Mission and VDACS

Last, but not least, VPF seeks your support for adequate funding for programs that advance research, education, and extension at Virginia Tech and Virginia State University as well as for Virginia Department of Agriculture and Consumer Services (VDACS) to support programs in animal health, including testing for avian influenza, and other agency operations.

Virginia Poultry Industry Facts and Figures

Virginia's poultry and egg industries have a major economic impact.

6 poultry processing companies employ about 10,000 people

- Cargill
- George's Foods
- Pilgrim's Pride Corporation
- Perdue Farms
- Tyson Foods
- Virginia Poultry Growers Cooperative, Inc.
- Every processing job creates 7.2 jobs outside of the poultry industry.

Supports livelihood of approximately 1,200 farm families

- More than 300 turkey farms
- More than 880 chicken farms

Contributed \$937,005,000 to Virginia's economy in 2007

- Broiler chickens - \$559,430,000
- Turkeys - \$298,584,000
- Eggs - \$78,991,000

In 2007, Virginia farmers produced:

- 250,200,000 broiler chickens (ranks 9th nationally)
- 1,301,000,000 pounds produced
- 22,000,000 turkeys (ranks 4th nationally)
- 574,200,000 pounds produced
- 794,000,000 eggs (ranks 28th nationally)

Virginia's poultry industry is helping to meet growing nutritional needs in the U.S. and around the world.

- Per capita U.S. poultry meat consumption has risen from 34 pounds in 1960 to 100 pounds today.
- The United States exports about 15 percent of chicken and about 10 percent of turkey produced in the nation.
- Significant chicken export markets include Russia, China/Hong Kong, Mexico, Japan and Korea.
- Significant turkey export markets include Mexico, Russia, South Korea, China/Hong Kong, and the Caribbean.