

February 10, 2023

U.S. Environmental Protection Agency
EPA Docket Center
Air Docket, Mail Code 28221T
1200 Pennsylvania Avenue, NW
Washington, D.C. 20460

Submitted via Federal eRulemaking Portal

RE: Renewable Fuel Standards (RFS) Program: Standards for 2023–2025 and Other Changes
Docket ID No. EPA-HQ-OAR-2021-0427

The Pet Food Institute (PFI) appreciates the opportunity to provide comments regarding the Renewable Fuel Standards (RFS) Program: Standards for 2023–2025 and Other Changes.

PFI recognizes and supports responsible efforts to utilize additional energy sources that reduce carbon emissions. However, our members have serious concerns that federal and state government tax credits and mandates continue to promote an increase in renewable fuel growth, more specifically renewable diesel, which has created disparities in supply and demand for animal- and plant-based oils and fats. For two years, PFI has forecasted and publicly expressed concerns that the unintended consequences of mandates and incentives have resulted in double and even triple the price for the critical edible oils and other ingredients used in human and pet food formulations.

Pet food makers accept that we must compete in the market, but when the market continues to be subsidized by multiple government agencies, they are unable to fairly compete for key ingredients. A recent example, the Inflation Reduction Act of 2022, signed into law last summer, extended the biodiesel, alternative fuel, and second-generation biofuel tax incentives through the end of 2024.

Our members understand that there will be a review of the implementation of the RFS program for prior years and an analysis of several specific factors, including the impact of the use of renewable fuels on job creation, the price and supply of agricultural commodities, rural economic development, and food prices. As specified in the Clean Air Act, the U.S. Environmental Protection Agency (EPA) will work in coordination with the Secretary of Energy and the Secretary of Agriculture to determine the applicable volume targets and percentage standards for 2023-2025 for cellulosic biofuel, biomass-based diesel, advanced biofuel, and total renewable fuel.

PFI respectfully requests that the EPA carefully consider the competition of limited resources for food, feed, and fuel. For example, will the EPA calculate how many new acres of U.S. farmland will be needed to meet the projected renewable diesel feedstock demand alone?

Coming out of the pandemic, every node in our supply chain has been impacted. Like other industries, PFI members are experiencing inflation and continued transportation and supply chain challenges, but they are also facing a growing number of state bills requiring packaging changes on top of the scarcity

of ingredients such as meat proteins, fats, and oils. They are not only concerned about the price of ingredients as three more renewable diesel facilities go online this year, but PFI members are fearful of being unable to adequately source the quantity and quality of critical government-required ingredients to feed the pets in 85 million U.S. households.

PFI respectfully urges the EPA to forgo any further increases in volume requirements for advanced biofuels and biomass-based diesel for 2023-2025. These increases also threaten the availability of animal- and plant-based oils and fats that our members rely on to produce nutritious and affordable foods for pets. The EPA should pause these unsustainable increases until it is demonstrated that the refining and production capacity of feedstocks have increased, allowing for fuel and food producers to avoid unnecessarily competing for and suffering from increased prices and shortages of, edible oils. As Americans have well-founded and significant concerns about inflation and their ability to purchase enough food for their four-legged family members, now is not the time for significant increases in advanced biofuel blending mandates.

Supply Chain Challenges and Consequences of a Biofuels Mandate

Many U.S. pet food makers rely on higher-end human food by-products, including some that result from the production of foods for the hotel, restaurant and institutional (HRI) market. For example, many pet food makers source poultry by-products from the cuts preferred by the HRI sector. Production of these cuts ceased almost entirely as the pandemic shut down the HRI sector, making it nearly impossible for some pet food makers to source the key animal protein in many of their formulations. This in turn directly impacted some pet owners' ability to find their pet's preferred brand, as evidenced by media coverage highlighting the scarcity of some pet food products around the country.

Unfortunately, renewable fuel mandates and tax credits for biodiesel have created an unfair government-driven market advantage to the energy sector and a disadvantage to companies purchasing ingredients for pet food. Tax credits that favor fuel production over food production create market distortions. While other industries reap tax credits for their commodity's use in renewable fuel, the feed industry bears the brunt of this disadvantaged domestic supply and faces significant burdens of cost and sourcing for these critical ingredients. According to [American Farm Bureau Federation](#), the U.S. Department of Agriculture (USDA) "projects 11.6 billion pounds of soybean oil will be used to produce biodiesel during the 2022/23 marketing year, up nearly 180% over the last five years." Their economist also noted that "use of soybean oil for biodiesel production, as a percent of total consumption, surpassed the use of corn for ethanol production in 2020." Soybean oil consumption used to produce biodiesel reached was projected to reach 43.4% in 2022 and is expected to climb to record levels in the next few years.

In the December 2021 [Progressive Farmer](#) article, "Marrying Soybeans and Renewable Diesel: Renewable Diesel Plans Could Outstrip Soybean Acres, Soy Oil Supplies," Steve Nicholson, senior grains and oilseed analyst at Rabobank states, "If you look at [new acres] all going to soybeans, you would need upwards of 55 million to 60 million more acres of soybeans. We just don't have that in the United States." Nicholson added, "Soybeans would basically wipe out corn and wheat acres in the U.S. just to produce enough oil for [renewable diesel]. But we don't have the crushing capacity to do it."

As PFI has forecasted, renewable diesel has spiked the price for animal- and plant-based oils and fats two to three times their current market value, thus drastically increasing the cost of critical ingredients that pet food makers source for the nutrition and palatability of cat and dog food. These palatants include chicken fat, beef tallow and choice white grease.

PFI members report all ingredient costs have risen to some historically high levels, with dramatic price increases for soybean and other virgin vegetable oils, attributing these price spikes to government credits for renewable fuels, particularly renewable diesel. Our members have also reported dwindling access to these ingredients in the past two years. While the U.S. historically was able to meet domestic soybean oil needs, our country alarmingly became a net importer of soybean oil in September and October of 2021, and food makers have been forced to import foreign soybean oil, which is more expensive due to heavy tariffs.

Pet food makers rely on the essential fatty acids, found in oils and fat, to formulate foods that deliver nutrients that perform key functions in dog and cat immune and visual systems, as well as supporting healthy skin and coats. Our members' commitment to long and healthy lives for pets means that they rely on access to dozens of animal- and plant-based oil and fat ingredients. This access is threatened by increased competition for animal protein by-products due to tax incentives and mandates.

These ingredient shortages have not abated as the pandemic has receded and are compounding existing supply chain strains for pet food makers. For example, lead times and pricing are also rising astronomically, and many PFI members report never having seen such aggressive and sustained price increases for basic equipment and components (valves, motors, pumps, couplings, stainless steel, piping, etc.). These unprecedented price increases for ingredients and equipment jeopardize U.S. pet food makers' ability to plan and execute strategies that will ensure America's dog and cat food bowls are filled.

Pet Food Institute Overview

Established in 1958, PFI is the trade association and the voice of U.S. cat and dog food and treat manufacturers. Our members account for the vast majority of pet food and treats made in the United States. Domestic dog and cat food sales were \$50 billion in 2022, with over \$2 billion in exports to more than 90 countries.

Pet food safety and nutrition for the health of companion animals are top priorities for PFI members. In providing complete and balanced nutrition for the more than 186 million dogs and cats in U.S. households, America's dog and cat food makers take exceptional care to formulate food that provide more than 40 essential nutrients in the proportions appropriate for different life stages. These formulations must meet federal and state regulations for safety, and they must also comply with labeling requirements set forth by the U.S. Food and Drug Administration (FDA).

Pet food packaging requires more detail than human food. Also, pet food ingredient labels are reviewed in almost every state and by the FDA for approval. Pet food makers do not have the luxury of being able to substitute ingredients without significant ramifications in cost, government approval, and pet owner acceptance.

PFI members are an important part of the U.S. food and agriculture system, using by-products of human food production to create nutritionally balanced food for America’s dogs and cats. In 2020, PFI partnered with the American Feed Industry Association and the North American Renderers Association to co-fund a [study](#) of the economic impact of U.S. dog and cat food production. That study provided first-of-its kind insight and quantification of how U.S. pet food makers intersect with American food and agriculture. The study found that pet food makers purchase nearly \$7 billion in crops, livestock and poultry products grown and raised by U.S. farmers and ranchers. In turn, farmers and ranchers purchase \$5.3 billion in materials and services from farm suppliers, who purchase approximately \$4.1 billion in inputs from other industries.

Now more than ever, it is important for people in the U.S. and around the world to find comfort and companionship with their pets. The human-animal bond is the documented occurrence of a positive connection established between you and your pet, that benefits both of you. In addition to providing companionship, numerous studies have documented the positive effects of the human-animal bond, which provides profound mental, social and physical health benefits for both owners and their companion animals. For example, studies indicate that sharing your life with a dog or cat can help reduce blood pressure and reduce levels of stress, and data indicate that animals can play a role in managing depression.

Recommendations

The last three years have been particularly challenging, and 2023 will continue to present significant ingredient sourcing challenges for pet food makers. It is not the time to favor the energy sector and disadvantage the food industry by increasing ingredient costs, risking supply shortages, and adding another layer of stress to pet food makers, pet owners, and their companion animals that require nutrition each day.

Renewable fuel tax credits and mandates continue to create an unfair government-driven market advantage to the energy sector and a disadvantage to companies purchasing crucial ingredients for pet and human food. Tax credits that favor fuel production over food production have been proven to create market distortions, producing one problem in a heavy-handed attempt to address another. Unfortunately for the pet food industry, Congress passed the Inflation Reduction Act of 2022 and President Biden signed the legislation into law, which extended the biodiesel, alternative fuel, and second-generation biofuel tax credits through December 31, 2024.

The EPA now has the authority to set levels that consider agricultural markets and our nation’s food supply, and it should make use of that authority. It is obvious that current economic factors, including supply limitations, supply chain congestion and inefficiencies (including continued negative effects from the COVID-19 pandemic), and inflation, among others, will join with increased biofuels requirements to limit feedstock availability and further drive-up prices for human and animal foods. There simply is not enough feedstock production to reasonably increase the volume targets in the manner that the EPA is proposing for 2023, 2024, 2025, and beyond. Ultimately, if the market distortions caused by renewable diesel mandates and incentives are not addressed, then pets and pet owners will continue to be impacted by higher prices, less-than-full pet food shelves and changes to pet food formulations due to critical ingredient shortages.

For these reasons, the Pet Food Institute respectfully urges the EPA to conduct a thorough analysis of the impact of the use of renewable fuels on the price and supply of agricultural commodities and food prices. We also ask the EPA to pause any further increases in advanced biofuels and biomass-based diesel for 2023-2025. The proposed volume requirements for advanced biofuels and biomass-based diesel should remain at or below 2022 levels, and any increase should be limited until such time as the EPA and USDA are able to guarantee that feedstock supplies of both plant oils and animal fats are sufficient to fulfill both food and fuel needs without causing unnecessary supply limitations and price increases.

On behalf of PFI members, whose nearly 30,000 employees in 33 states provide safe food for the 186 million pets across the United States, we thank you for the opportunity to share our views.

Sincerely,



Dana Brooks, President and CEO
Pet Food Institute