

February 4, 2022

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

RE: Renewable Fuel Standards (RFS) Program; RFS Annual Rules
Docket ID No. EPA-HQ-OAR-2021-0324

The Pet Food Institute (PFI) appreciates the opportunity to provide comments regarding the Renewable Fuel Standards (RFS) Program and RFS Annual Rules.

PFI recognizes and supports responsible efforts to address climate change and utilize additional energy sources that reduce carbon emissions. However, we have serious concerns that government incentives and mandates promoting renewable fuel growth have created unintended consequences in supply and demand for animal- and plant-based oils and fats.

PFI respectfully urges the U.S. Environmental Protection Agency (EPA) to forgo the proposed increases in Renewable Volume Obligation (RVO) mandates for the Advanced Biofuels (biodiesel and renewable diesel) for 2022. The EPA has proposed an increase in RVO of over 1 billion gallons for Advanced Biofuels from 2020 to 2022, and an over 500-million-gallon increase from its 2021 levels.

These increases 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 increase, allowing for fuel and food producers to avoid unnecessarily competing for, and increasing the prices 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.

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 approximately \$40 billion last year, with about \$1.7 billion in exports to more than 90 countries. In providing complete and balanced nutrition for the more than 180 million dogs and cats in U.S. households, America's dog and cat food makers take special 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).

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 \$6.9 billion in crops, livestock and poultry products grown and raised by U.S. farmers and ranchers. In turn, farmers and ranchers purchase roughly \$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.

Supply Chain Challenges and Consequences of a Biofuels Mandate

As previously stated, 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 ethanol or 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.

One very real and current example: 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 8-20%, 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 also reported dwindling access to these ingredients in 2021. 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 a healthy skin and coat. 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 as a result of tax incentives and mandates. These ingredient shortages have not abated as the pandemic began receding, 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.

Recommendation

The last two years have been very challenging, and 2022 will continue to present significant sourcing challenges for pet food makers. Now is not the time to favor the energy sector and disadvantage the feed industry by increasing ingredient costs, risking supply shortages, and adding another layer of stress to pet food makers, pet parents and the pets they love.

Renewable fuel tax credits and mandates for biodiesel create 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, producing one problem in a heavy-handed attempt to address another.

For the first time, the EPA is not legislatively bound by a fixed RVO and has the discretion to set the volume requirements in 2022 and moving ahead. EPA has the authority to set levels that take into account agricultural markets and 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 COVID-19), 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 Advanced Biofuels RVOs in the manner that the EPA has proposed for 2022.

For these reasons, the Pet Food Institute respectfully urges the EPA to pause increases in the Advanced Biofuels for 2022. The RVO for Advanced Biofuels should remain at or below 5 billion gallons for 2022, and any increase should be limited until such time as the EPA and the U.S. Department of Agriculture 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 25,000 employees in 32 states provide safe food for the 180 million pets across the U.S., we thank you for the opportunity to share our views.

Sincerely,



Dana Brooks, President and CEO
Pet Food Institute