



NATIONAL COUNCIL OF CHAIN RESTAURANTS

October 19, 2017

Air and Radiation Docket
Docket ID No. EPA-HQ-OAR-2017-0091
Environmental Protection Agency
1200 Pennsylvania Avenue NW
Washington, DC 20460

Dear Sir or Madam:

On behalf of its members, the National Council of Chain Restaurants (NCCR) submits the following comments regarding the Agency's proposed reductions in the 2018 biomass-based diesel, advanced biofuel, and total renewable fuel volumes, as well as the 2019 biomass-based diesel volume under the Renewable Fuel Standard program. The National Council of Chain Restaurants, a division of the National Retail Federation, is the leading organization exclusively representing chain restaurant companies. For more than 40 years, NCCR has worked to advance sound public policy that serves restaurant businesses and the millions of people they employ. NCCR members include the country's most respected quick-service and table-service chain restaurants.

Chain restaurants are largely owned and operated by tens of thousands of small business franchisees, many of whom have one, two, or a small handful of individual restaurant locations. These small business franchisees are often family-run enterprises, and they are the very picture of small business in America. They give back to their communities through charitable donations to local good causes, and they serve as popular gathering places for family events and special occasions. They serve countless meals around the country, from small towns to big cities and locations in between, every single day.

In recent years, food commodity costs for chain restaurants and their small business franchisees have been volatile and difficult to predict; a development which coincides with the enactment and implementation of the Renewable Fuel Standard. These volatile food commodity prices are not unique to chain restaurants, but have been experienced by nearly every entity along the food chain, from poultry and livestock farmers on one end of the chain to chain restaurants and other retail food outlets on the other. Relevant research and studies by entities including the Congressional Budget Office, USDA Economic Research Service, Congressional Research Service, World Bank, the National Research Council, and others have all implicated the RFS in continuing unstable commodity prices.

Since the implementation of the RFS, the proportion of the nation's corn crop which has been diverted from its traditional use as feed in animal agriculture has hovered around 40%, and has been as high as 42% by some estimates. The high use of corn crop in the program resulted in drastically increased commodity prices and food costs for chain restaurants, particularly in years coinciding with other disruptions to supply such as adverse weather events. Higher corn prices incentivized crop growers to plant more corn, even on uncultivated and sensitive land, which has led to an oversupply of corn and further changes in prices and costs. In the 10 years prior to the enactment of the RFS, corn prices hovered around \$2 per bushel. In the years since enactment, prices have rapidly fluctuated between \$3 and \$8 per bushel. (See attached document, Appendix 1). Due to corn's widespread effect on other commodity prices, volatility and unpredictability in corn prices creates an unstable environment, and can hurt chain restaurants and consumers.

The use of soybeans in biomass-based diesel is also problematic for small business franchisees and food retailers. Like corn, soybeans have fluctuated in price and availability since the enactment of RFS. Since 2008 soybean prices have varied from \$9 to \$16 per bushel. Many restaurants use soybean oil as cooking and frying oil, and depend on its availability and accessible prices. NCCR believes that like corn, soybeans should not be used for biodiesel production due to its economic impact on the agriculture and food retail industries.

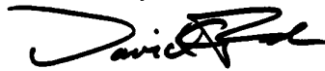
Corn ethanol is a last-generation biofuel and is failing to pave the way towards the biofuels of the future that were promised when the RFS was passed over a decade ago. NCCR believes a greater emphasis should be placed on non-food-sourced biofuels, such as cellulosic ethanol. Using food sources in biofuel production has far-reaching consequences throughout the nation's food chain, and has created uncertainty for industries across multiple sectors. Moving away from food-sourced biofuels will help bring stability to growers, small business food retailers and, ultimately, consumers.

NCCR supports the Agency's efforts to place greater emphasis on cost considerations and market realities in establishing the annual Renewable Volume Obligation mandates under the RFS. The cost of advanced biofuels is high on a per-gallon basis compared to the petroleum fuels they replace. The RFS program has also created boom and bust cycles for the corn and ethanol industries, which has brought high costs and volatility for America's food chain. Record crop years for corn and static demand has resulted in price declines. Crop farmers who are saddled with high-cost land and too much capacity have no choice but to continue overplanting. Meanwhile, the ethanol industry, which overbuilt capacity in boom years, has suffered declines as ethanol demand has maxed out. The unstable environment created by the RFS has potential to inflict further economic harm. NCCR encourages the Agency to use its general waiver authority to reduce renewable fuel volumes for 2018, as well as 2019 volume levels for biomass-based diesel.

In closing, thank you for this opportunity to comment on the Agency's inquiry. NCCR asks the agency to consider the negative impact the RFS program has had on producers, small business owners, and consumers. NCCR believes the Agency can help bring stability and predictability to food commodity prices and the supply chain by scaling back the RFS mandate for food-sourced biofuels and shifting the focus to truly advanced, non-food-based biofuels which do not compete with the food supply chain to fuel the nation's automobiles.

Thank you for considering these views.

Sincerely,

A handwritten signature in black ink, appearing to read "David French". The signature is stylized and cursive.

David French
Senior Vice President
Government Relations