

May 18, 2022

Via Electronic Submission to Federal eRulemaking Portal

The Honorable Michael Regan, Administrator
U.S. Environmental Protection Agency
EPA Docket Center, OAR
Docket ID No. EPA-HQ-OAR-2021-0845
Mail Code 28221T
1200 Pennsylvania Avenue, NW
Washington, D.C. 20460

RE: Renewable Fuel Standard (RFS) Program: Canola Oil Pathways to Renewable Diesel, Jet Fuel, Naphtha, Liquefied Petroleum Gas and Heating Oil

Dear Administrator Regan:

The Pet Food Institute (PFI) appreciates the opportunity to provide comments regarding the Renewable Fuel Standard (RFS) Program: Canola Oil Pathways to Renewable Diesel, Jet Fuel, Naphtha, Liquefied Petroleum Gas and Heating Oil.

Canola oil is a vegetable oil that contains low concentrations of erucic acid (less than 2 percent). In addition to use as a low-carbon, renewable fuel feedstock, canola oil is a common vegetable oil used for human and pet food. In many instances, canola oil is used synonymously with rapeseed oil, or is considered a varietal of it.

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 continues to create unintended consequences in supply and demand for animal- and plant-based oils and fats, including canola oil. Record high prices for vegetable oils are now contributing to the age-old fuel versus food debate.

Unfortunately, renewable fuel mandates and tax credits for renewable diesel have created an unfair government-driven market advantage to the energy sector and a disadvantage to companies purchasing ingredients for human and 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.

At a time when the world is facing increasing food price inflation and food insecurity, now is not the time for the United States to add another type of vegetable oil to the Renewable Fuel Standard to increase our country's renewable diesel production. Combined with current economic factors, including ingredient shortages, supply chain challenges and inflation, among others, adding canola oil as a

pathway to renewable diesel will only exacerbate the problem of limited feedstock availability and further drive-up prices for human and animal foods. There simply is not enough current feedstock production to fulfil both fuel and food demands.

One very real example: renewable diesel has spiked the price for animal- and plant-based oils and fats to double or triple 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 recently risen by almost triple, with dramatic price increases for soybean and other virgin vegetable oils, attributing these price spikes to government credits for renewable fuels, particularly renewable diesel. In addition to price spikes, increased renewable diesel demand has caused alarming shortages, and even rationing, of crucial ingredients that will continue until these market distortions are addressed. While the U.S. historically was able to meet domestic soybean oil needs, our country disturbingly 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 because 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 shortages, as well as 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 approximately \$51 billion last year, with over \$2 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.

Recommendation

The last two years have been very challenging, and 2022 has already seen significant sourcing challenges for pet food makers. Now is not the time to continue favoring the energy sector and disadvantage the food industry by including canola oil in the Renewable Fuel Standard as a pathway to renewable diesel, which will only further increase ingredient costs, risk more supply shortages, and add another layer of stress to pet food makers, pet parents and the pets they love.

For these reasons, the Pet Food Institute respectfully urges the EPA to pause advancing canola oil as a pathway to renewable diesel, jet fuel, naphtha, liquefied petroleum gas and heating oil. Any further use of oilseed crops such as canola for renewable diesel should be paused until such time as the EPA and the U.S. Department of Agriculture can 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

ATTACHMENTS
(Compiled news articles on edible oil supply crisis)

Business

Supply Squeeze

Cooking-Oil Chaos Exacerbates a Looming World Hunger Crisis

Indonesia is halting palm oil exports in the midst of high inflation, weather woes and tight supplies



Hundreds of people line up to get cooking oils in Palembang, Indonesia on Feb. 24, 2022. *Photographer: Muhammad A.F./Anadolu Agency/Getty Images*

By [Kim Chipman](#), [Megan Durisin](#), and [Michael Hirtzer](#)

April 23, 2022, 12:01 AM EDT

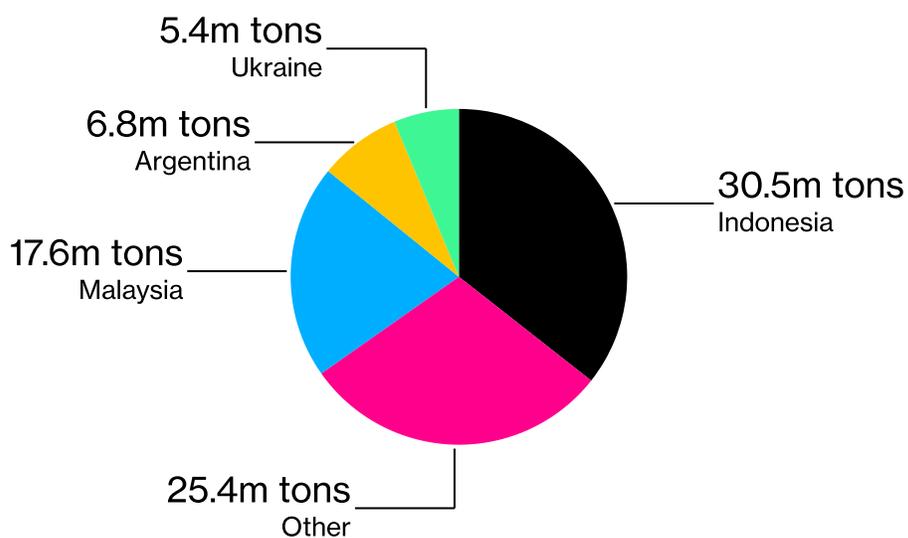
The world's supply of cooking oil -- already squeezed by war -- is getting smaller.

Two months after Russia's invasion of Ukraine upended global agricultural trade, Indonesia is set to ban exports of cooking oil in the wake of a local shortage and soaring prices, adding to a raft of crop protectionism around the world. The country accounts for more than a third of global vegetable-oil exports, with China and India, the two most populous countries, among its top buyers.

Indonesia's supply of edible oil to the world is "impossible to replace," said Carlos Mera, head of agricultural commodity markets research at Rabobank. "It's definitely a big blow."

Trade Heavyweight

Indonesia accounts for more than a third of major vegetable oil exports



Source: USDA estimates for 2021-22 season

Indonesia is the biggest producer of palm oil, the world's most consumed edible oil. The southeast Asian nation's announcement of the ban on Friday sent U.S. futures tied to soybean oil, an alternative to palm, soaring to the highest price on record for a third straight day. In the U.K., some supermarkets are limiting purchases of cooking oils, like sunflower, olive and rapeseed.

Russia's invasion of Ukraine has thrown the trade of sunflower oil into chaos and is squeezing already tight supplies of other vegetable oils used in food, biofuels and personal care products.



Bunches of harvested palm oil fruit in the Penajam area of East Kalimantan, Borneo, Indonesia. *Photographer: Dimas Ardian/Bloomberg*

Weather woes across the world's major producers of edible oils are adding to fears of shortages. Dryness has crimped the size of soybean harvests in South America, the world's biggest producer, and drought in Canada shrank production of canola, leaving little available supply.

[Read more: Canada Farmers Seen Defying Oilseed Rally, Slashing Canola Acres](#)

While limited supply and soaring prices are set to worsen inflation of food items like salad dressing and mayonnaise in wealthy economies like the U.S., developing nations like India are set to feel the worst impacts. Such countries depend on imports of palm oil as a cheaper alternative to more costly soybean, sunflower and canola oil.

“We are terribly shocked by this decision of Indonesia,” said Atul Chaturvedi, president of Solvent Extractors’ Association of India, and edible oil trade group. “We were not expecting a ban like this.”



The surge in core food costs is also leading to the biggest debate in a decade over using farmland to grow crops for producing fuel. The American Bakers Association, whose members produce 85% of U.S. baked goods, is warning about empty grocery store shelves.

“We desperately need the U.S. Environmental Protection Agency to take the right action to allow soybean oil stocks to shift back into food instead of being diverted to biodiesel production,” said Robb MacKie, the trade group’s president.

Food-versus-fuel tensions are also flaring in other regions, including Indonesia.

[Read More: Cooking Oils in ‘Perfect Storm’ as War Slashes Black Sea Exports](#)

The latest action by Indonesia is certain to “aggravate” food inflation that’s already at a record high, said Tosin Jack, commodity intelligence manager at Mintec in the U.K. Tight vegetable oil supplies are already prompting food manufacturers to improvise with their products, including trying to come up with new formulations and switch to substitutes when possible, according to Jack.

For makers of packaged items like chips -- whose ingredient lists often allow flexibility by stating the food can contain multiple vegetable oils -- the move by Indonesia takes one more oil off an ever-shrinking list.

Changing food recipes though can be daunting and “does not necessarily produce a product with the same sensory characteristics,” said Jeannie Milewski, executive director for The Association for

Dressings & Sauces, an Atlanta-based trade group that represents makers of products that most often rely on soybean oil.



Workers make Kerupuk deep-fried crackers, which doubled in price due to higher oil prices, a factory in Jakarta, Indonesia. *Photographer: Dimas Ardian/Bloomberg*

Soybean oil futures in the U.S. have nearly doubled since the start of 2021, driven in part by higher demand for ingredients to make biofuel. Prices then shot up to the highest on record after Russia's attack on Ukraine disrupted sunflower oil shipments and set off demand for alternative commodities.

Canadian canola had already climbed to an all-time high last year as devastating drought shrank crops across North American prairies. Palm oil in Asia has risen about 50% and rapeseed in Europe 55% in the past 12 months.

Still, "despite record prices overall, vegetable oil demand remains high because vegetable oils are an essential part of diets in all countries and particularly in countries like India, Pakistan, Bangladesh," said John Baize, an independent analyst who also advises the U.S. Soybean Export Council.

Baize calls Indonesia's restriction on palm oil exports a "big deal" but expects it won't last long. He noted that Indonesia exported 26.87 million metric tons of palm oil in 2021 compared with consuming

15.28 million metric tons domestically.

For now, Indonesia's ban intensifies worries about food costs and shortages, with expectations that other countries are likely to make similar moves as the war in Ukraine drags on.

"We're likely to see a few more," said Rabobank's Mera. "That exacerbates the concerns."

– *With assistance by Pratik Parija, Atul Prakash, Anuradha Raghu, and Eko Listiyorini*

Germany reported considering biofuel reduction

By [Sean Pratt](#)

Reading Time: 3 minutes

Published: May 13, 2022

Crops, Markets, News



Germany plans to reduce the use of biodiesel produced from oilseed crops like canola, according to numerous reports. | Getty Images

Governments around the world are taking steps to limit oilseed-based biofuel production to keep food price inflation in check.

Germany plans to reduce the use of biodiesel produced from oilseed crops like canola, according to numerous reports.

EurActiv reports that details of a reduction in Germany's cap on crop-based biofuels are being discussed between the country's agriculture and environment ministries.

“Agriculture land is limited worldwide and we urgently need it for food as the war in Ukraine dramatically demonstrates,” Germany’s environment minister Steffi Lemke recently told a German newspaper.

The European Union was Canada’s fourth largest canola market in 2021 and second biggest in 2020. Imported Canadian canola is used as a biodiesel feedstock in the EU.

Germany is the top biodiesel consumer in the EU, followed by France and Sweden, so talk of reduced biodiesel production in that country is worrisome.

However, it isn’t raising any eyebrows at the Canola Council of Canada just yet.

“I haven’t heard from anybody about the anticipation of reduced demand from Europe,” said council president Jim Everson.

He acknowledged that record high vegetable oil prices seem to be reigniting the age-old food versus fuel debate but there are other things on the minds of politicians these days as well.

“Energy security and greenhouse gas reductions are also major public policy issues,” said Everson.

“Canola is a low-carbon, sustainably grown renewable fuel feedstock that helps reduce GHG emissions.”

He said energy security is particularly front and centre in the EU, which is looking at ways to reduce its reliance on Russian energy.

But at the same time, there are growing calls from non-governmental organizations to quell food price inflation by any means necessary.

About 14 percent of global vegetable oil production was used to make biodiesel in the 2017-19 period, according to the OECD. That is helping drive up food costs around the world.

The Canadian Foodgrains Bank and many other non-government organizations (NGOs) are sounding the alarm.

“The world is moving rapidly towards some of the most catastrophic food crises in the 21st century,” the Foodgrains Bank said in a recent news release.

According to the 2021 Global Report on Food Crises, 193 million people in 53 countries are acutely food insecure, up from 40 million in 2020.

More than half a million people in Yemen, Madagascar, Ethiopia, South Sudan and Somalia will likely soon die of starvation.

“As food prices are skyrocketing, people who didn’t have enough money to buy food before are accessing even less now,” Foodgrains Bank executive director Andy Harrington said in a news release.

And it isn’t only NGOs that are concerned. The Malaysian Palm Oil Board recently advised countries around the world to slow the use of edible oil as a biofuel feedstock to ensure adequate supply of vegetable oil for food use.

Yet the amount of vegetable oil being diverted to the biofuel sector is set to grow as the renewable diesel industry is poised for phenomenal growth in the United States and elsewhere.

The U.S. Department of Agriculture estimates 12 billion pounds of U.S. soy oil will be used for biofuel production in 2022-23, up from 10.7 billion lb. this year and 8.85 billion lb. in 2020-21.

Canola is close to being fully approved as a feedstock for the U.S. renewable diesel industry.

Canada's proposed clean fuel standard is also expected to dramatically increase demand for canola-based biodiesel and renewable diesel.

But other markets are heading in the opposite direction. Norway, Sweden and Finland have reduced their blending mandates in response to surging food prices, according to Argus Media.

Brazil recently dropped its biodiesel mandate to 10 percent for 2022, down from what was supposed to be 14 percent starting in March.

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Markets at a glance

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