

COMMONWEALTH of VIRGINIA

Office of the Governor

Timothy M. Kaine
Governor

April 15, 2008

The Honorable Robert G. Marshall
Member, Virginia House of Delegates
Post Office Box 421
Manassas, Virginia 20108-0421

Dear Delegate Marshall:

Thank you for your recent letter regarding a temporary waiver of the federal biofuels mandate.

The issues related to uses of biofuels are complex. In balance, petitioning the EPA for a temporary biofuel waiver will not have a meaningful impact on food prices or crop planting decisions of Virginia farmers. Virginia, and the United States, would be much better served by taking actions to reduce demand for petroleum, natural gas, and other energy through increased energy efficiency in our vehicles, homes, and businesses.

As you point out, production of ethanol, primarily in Midwestern states, uses a substantial amount of corn. This has been one factor affecting the price of corn. However, there are other factors that have had a substantial effect on corn and other crop prices, including decreased production due to poor weather last year in some producing areas, increased fertilizer and diesel fuel costs, and increasing worldwide demand. We have seen record prices for crops, such as wheat, that are not used for ethanol.

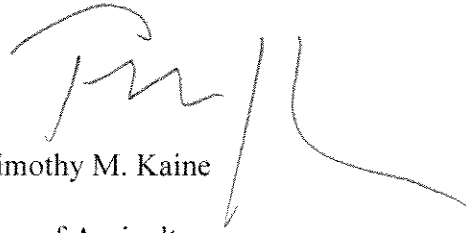
Fertilizer costs have increased substantially due to the sharp increase in natural gas prices. Diesel fuel prices have risen due to requirements for ultra-low sulfur fuels, limitations in United States refinery capacity, the sharp drop in the value of the US dollar, and demand pressure on the international petroleum market from Asian and other growing economies. World-wide demand for grain is increasing as Asian economies improve and an increased demand for higher-level protein sources – moving away from

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grains to meats. Providing for a temporary waiver of the federal renewable fuels mandate will not change these other factors and therefore would not have a substantive effect on the cost of food stocks.

Thank you for raising this important issue.

Sincerely,

A handwritten signature in black ink, appearing to read 'TK', with a long horizontal flourish extending to the right.

Timothy M. Kaine

c: The Honorable Robert Bloxom, Secretary of Agriculture
The Honorable Patrick Gottschalk, Secretary of Commerce and Trade
The Honorable Preston Bryant, Secretary of Natural Resources



COMMONWEALTH OF VIRGINIA
HOUSE OF DELEGATES
RICHMOND

2739442

ROBERT G. MARSHALL
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MANASSAS, VIRGINIA 20108-0421

THIRTEENTH DISTRICT

COMMITTEE ASSIGNMENTS:
PRIVILEGES AND ELECTIONS
COUNTIES, CITIES AND TOWNS
SCIENCE AND TECHNOLOGY

April 9, 2008

The Honorable Tim Kaine
Third Floor-State Capitol
Capitol Square
Richmond, VA 23219
[Via Fax: 804-786-3985]

Dear Governor Kaine:

You have the authority under federal law to help reduce food costs to Virginians, reduce Chesapeake Bay pollution, save Virginia budget funds, and help Virginia farm families.

You can do this by requesting a waiver from the inflationary federal bio-fuels mandate which has created a food versus fuel conflict in our economy.

When crafting both the 2005 Energy Policy Act and the 2007 Energy Independence and Security Act, Congress specifically provided for a waiver of the mandated use of biofuels in certain cases. Appropriately, they vested authority in the States to monitor their local and regional economies as to whether such a waiver should be considered.

Specifically, the statutes provide for a State to petition the US Environmental Protection Agency (EPA) to consider whether maintaining the biofuels mandate in a given year (this year's mandate is 9 billion gallons of ethanol and other biofuels) would "severely harm the economy or environment of a State, a region or the United States." It is in that regard that I urge you, on behalf of the Commonwealth, to petition the US EPA for a temporary waiver of the current biofuels mandate.

Inflationary prices of food are directly traceable to the diversion of corn from food and feed to fuel and they affect milk, cheese, other dairy products, beef, cereal, bread and even candy prices.

The US Bureau of Labor Statistics reports that food prices are at their highest level since 1990, and has doubled the average of the past 10 years. Milk and eggs have logged double digit increases in late 2007 and early 2008, with higher prices forecast.

About 40 percent of the Special Supplemental Nutrition Program for Women Infants and Children (WIC) goes toward reimbursing vouchers for the purchase of milk and cheese. Last year, the Commonwealth's net expenditures for this program increased by \$6.5 million – more than twice the rate for the previous two years. And this cost will grow considerably faster in fiscal year 2008 given current food inflation projections.

The cost of school lunches in Loudoun and Prince William county schools over the past two school years, since the biofuels mandate has been in place, have seen high school lunch prices increase by 18 percent. The school breakfast program costs in Loudoun County have increased 44 percent over the same period for elementary, middle, and high school.

The other negative economic impact the biofuels mandate is having is at the farm level in Virginia. The Commonwealth's substantial poultry and livestock sector is struggling economically. While food inflation soars at the retail level, **production costs are increasing even faster at the farm level – squeezing Virginia's livestock producers in the middle.** Corn and soybeans are the major input cost for most livestock production, and Virginia's poultry industry alone buys more than 1.3 million tons of corn and soybean meal.

Indeed, corn and soybean prices have hit peaks that are more than double their historic average prices, and prices are projected to increase even higher through out this year. The current high costs of feed is decimating Virginia's agricultural base of broilers, turkeys, eggs, and dairy and beef cattle – which is an important economic engine in many parts of the State, including the Shenandoah Valley. Overall, these sectors account for a more than \$1.5 billion industry in Virginia, yet many producers in this sector are on the brink of financial collapse.

Ecologically, there is even some evidence that the artificial economic structure created by the Congressional biofuels mandate has disrupted the normal crop rotation on the Eastern Shore, leading to more nutrient runoff which is compromising water quality in the Chesapeake Bay. This can frustrate Virginia's efforts to clean up the Bay and preserve our watermen's livelihood and Bay food sources.

Again, Governor Kaine, considering the economic uncertainty we are facing, and the unique and targeted economic and ecological impact the federal biofuels mandate is having on Virginia, and I strongly urge you to exercise the authority you have under federal law to petition the US EPA, for a temporary biofuel waiver.

Sincerely

Delegate Bob Marshall

Sincerely,



Delegate Bob Marshall