

# More Government Intrusion

By Tina Caparella

## Looms on the Horizon

**W**hen renderers met a year ago at the National Renderers Association (NRA) annual convention, rendered product prices had plummeted after what had been a good year. But then came a rebound, and while renderers celebrated record prices in 2009, at this year's 76th annual convention in San Francisco, CA, in late October, a doom and gloom atmosphere emerged as it was revealed that more and more government regulations are appearing on the horizon.

The biggest impact is the Food and Drug Administration's (FDA's) enhanced feed rule, which went into enforcement October 26, 2009. Although renderers are mostly prepared for this new way of doing business, other government intrusions looming were addressed, beginning with a new Environmental Protection Agency (EPA) greenhouse gas reporting rule. NRA Environmental Committee Chairman Bob Vogler, Valley Proteins, said renderers need to take steps now before tracking begins in 2010 and reporting is required in 2011. Those steps include first, determine if a facility falls under the rule, which doesn't have a very high trigger point; second, develop recordkeeping and operating procedures to meet the rule, including calibrating flow meters; and third, develop a monitoring plan. Vogler also warned that developments relating to new greenhouse gas regulations could trigger unintended consequences for other EPA limits, dioxin is back on EPA's radar screen, and EPA Administrator Lisa Jackson has made clean water issues a high priority for the agency.

"We're going to be in a regulatory quagmire over the next few years," Vogler predicted.

Climate change and cap and trade are another government boondoggle renderers are keeping close watch over. During the Fats and Proteins Research Foundation (FPRF) Emerging Issues Seminar held just prior to the NRA convention, Steve Kopperud, Policy Directions, said Washington, DC, has gone 110 percent political on climate change, and that industry opposition to cap and trade is huge. Dr. Stewart McGlashan, Johns Environmental Pty., Ltd., explained Australia's climate change/cap and trade legislation, which was rushed through in the last 18 to 24 months and its impact is still unknown. He reaffirmed Kopperud's sentiment that carbon is a marketing and political issue, not an environmental one, and advised renderers to interact with and influence policymakers.

"If you are not at the table, you are on the menu," McGlashan commented, adding that large corporate sustainability projects are going to be the driver in climate change more than

government programs. One government regulation Australia is keeping its eye on is California's Assembly Bill 32, the Global Warming Solutions Act that passed in 2006 and requires the state to develop regulations that will reduce greenhouse gas emissions to 1990 levels by 2020.

Helping renderers determine their impact on the climate was Dr. Charles Gooding, Clemson University, Animal Co-Products and Research Education Center (ACREC), who presented the results of an FPRF research project that provides a calculator to quantify the carbon footprint of rendering operations. He said that in his 39 years as an engineer, he has never seen anything so complicated as determining an industry or business' carbon footprint. His conclusion was that rendering actually removes carbon dioxide (CO<sub>2</sub>) from the environment, but Gooding is concerned the message won't be relayed because CO<sub>2</sub> "avoidance" isn't currently being addressed, although a few companies have already made a "negative" carbon footprint claim.

"Whether anyone is paying attention [to the claim] is another story," he stated.

More bad news on government regulations was brought forth in the NRA Legislative Committee meeting, where Kopperud returned to share that various bills moving through Congress focus on food safety programs and climate change. Currently there are 28 different federal agencies with some oversight on food safety and Congress wants to consolidate that into one agency. He urged renderers to communicate to the U.S. Senate Agriculture Committee, the U.S. Department of Agriculture, and U.S. Senator Barbara Boxer (D-CA), chairman of the U.S. Senate Committee on Environment and Public Works, that rendering be included in any climate change legislation as a reducer of carbon.

Albeit slight, a small glimmer of good news from Canada's government came during a presentation by Sergio Tolusso, Canadian Food Inspection Agency (CFIA). He explained to the NRA Transmissible Spongiform Encephalopathy Committee how Canada is dealing with its specified risk material (SRM) regulation put in place in 2007 and the lessons the government has learned. Currently, 47 facilities are permitted as rendering establishments, with 37 of those being categorized as low risk. Of the remaining 10, three plants have CFIA inspectors on-site since both non-SRM and SRM production lines are in place. Those facilities that process just prohibited material are inspected quarterly, and facilities that don't process prohibited

material at all are inspected less frequently.

While consumer confidence in Canadian beef has remained strong, Toluoso said it has been a challenge to regain or expand export markets lost after bovine spongiform encephalopathy was first discovered in Canada in 2003. CFIA also underestimated the volume and value of SRM, with the actual cost being around \$36 million annually, far more than the \$25 million to \$30 million CFIA estimated. Two years post implementation, most prohibited material is being rendered and sent to landfills at a tremendous cost to renderers and producers, Toluoso commented. CFIA had initially hoped alternative uses for the processed prohibited material would emerge, which haven't. But ears perked up when Toluoso said CFIA is closely watching how the new U.S. enhanced feed rule plays out, with talk of perhaps harmonizing with the United States' regulation in the future.

Despite the "interesting and difficult times" for the biodiesel industry, a bit of good news shared by Biofuels Committee Chairman Chuck Neece is that the amount of animal fats used in biodiesel production is up to 25 percent of total feedstocks, even though less fuel is being produced. It is expected that Congress will pass a biofuels tax credit extension for at least one year, but more likely for two years.

The successful Code of Practice administered by the NRA Animal Protein Producers Industry (APPI) Committee was a bright spot during the week. Dr. David Meeker, NRA Scientific Services, said the program is serving renderers well and will prepare the industry for the future if FDA decides to require third-party certification programs. Currently 100 plants have been certified in the program. APPI contributed \$30,000 to FPRF to help fund a *Salmonella* project, and also decided to repeat a research project last conducted in 1999 that shows whether *Salmonella* serovars in rendered products are or are not the same type found in feed and meat products.

### What Else is on the Horizon?

The doom and gloom was set aside during the convention's opening general session. Trent Loos, a sixth generation farmer, provided an insightful and entertaining look at today's American agriculture. He said California is the number one agricultural producing state in the country, even larger than the

number two, three, and four states combined. Loose noted that agriculture is constantly under fire from environmentalists and animal rights activists, and industry needs to educate not only the consumer, but legislators, and in their language, not ours.

FPRF Chairman Gerald F. (J.J.) Smith, Valley Proteins, showcased the various research projects being conducted by at-large researchers and at ACREC, which includes new uses in plastics and product safety/quality. He praised the generosity of the foundation's financial contributors—\$865,000 was given in the past year – and announced that FPRF is developing a good relationship with the U.S. Poultry and Egg Association's Poultry Protein and Fat Council.

Broadening the focus was Alan von Tunzelman, president, World Renderers Association (WRO), who said renderers globally need one voice to speak to world leaders such as the World Health Organization, thus the purpose of the establishment of the WRO 10 years ago. Currently there are over 20 member countries in WRO, and a new Web site was recently launched at [www.worldrenderers.org](http://www.worldrenderers.org). Tunzelman sees aquaculture as the biggest opportunity globally for animal proteins in the next few years.

Robert Ludwig, The Hale Group, provided the convention's keynote address, warning renderers that "the world has changed." Examples include near financial meltdown, slow economic recovery, and the growing importance of China and India. In agriculture, changes include the commodity price roller coaster ride, animal rights activists, and changing weather patterns. Although the United States consumes the most meat per capita than any other country, projections are that meat consumption in South Asia, which includes India, will grow 120 percent by 2030, with East Asia growing by 55 percent.

Ludwig said alternative energy sources will take time to advance and petroleum prices are a major driver of biodiesel profitability. He added that water availability is a great concern globally, more so than land, with the United States, India, and China being the largest users of water. As for growth in agriculture, Brazil emerges as the top country, with Argentina, the United States, and Canada seeing modest growth. So what does all this mean to renderers, Ludwig asked?

*Continued on page 12*



*Geoff Smolkin, left, West Coast Reduction, and Dany Martin Gagnon, Sanimax, discuss the challenges facing Canada's renderers.*



*Sergio Toluoso, left, CFIA, explains the Canadian government's position on specified risk material to Jim Long and Todd Moser, Rothsay.*

“Price volatility that comes with new markets is now a part of our life,” he answered, and renderers “must be knowledgeable about the energy industry as well as the meat industry. These two are now inexplicitly linked.”

During the convention’s industry issues forum, Brett Stuart, Cattlefax, had a mixed bag of news for renderers, beginning with the good in that rendered product prices outperformed other commodity prices in 2009. He added that meat and bone meal and corn prices have been correlated in the past, but not so much the last year as meat and bone meal prices trended higher than corn. On the down side, 2009 year-to-date meat production has dropped, with beef declining by three percent, poultry by five percent, and pork by one percent. Also, the U.S. beef cow inventory is the smallest it’s been since 1963, down 450,000 head this year from last. Combine this with two straight years of declining meat consumption in the country and it translates into less material for renderers in the future.

On the international front, Stuart said the world economy has stabilized and could begin to recover as early as the end of this year; however, the U.S. economy is still struggling and possibly will well into 2010. China’s economy has been expanding, with eight percent growth in 2008 and about the same forecasted for 2009. China imports 26 percent of the global production of fish meal, 16 percent of the global production of soybeans, and consumes 27 percent of the global production of soy oil.

“China is going to drive the commodity game to be sure,” Stuart predicted, adding that export access for U.S. commodities is critical, with key markets being Mexico, China, and Russia, a country that imports 40 percent of U.S. poultry production.



*Trent Loos encouraged renderers to join the quest to educate legislators and consumers on the benefits of animal agriculture.*

Switching gears to energy was Rich Rogers, Energy Management Resources, who proclaimed “we are energy hogs!” The United States holds 1.6 percent of world oil reserves and produced 10 percent of world oil production in 2008, but represents 23 percent of the world demand, importing two-thirds of its oil requirements. He expects cap and trade to increase energy costs by 20 percent.

Michael Michener, U.S. Department of Agriculture/Foreign Agricultural Service (FAS), explained that agriculture remains a bright spot in the U.S. economy, estimated to export \$97.5 billion of product in 2009, the second highest total on record after 2008’s \$115.4 billion. He forecasted rendered product exports would increase moderately, and stated the Obama administration is committed to trade. When asked about the agency’s commitment to its Market Access Program, Michener warned there would be budgetary restraints in the future, but says it is an effective program that FAS endorses.

“We see it as a useful and key tool to promote products worldwide,” he commented.

Wrapping up the forum was Chris Zanobini, California Grain and Feed Association, who pointed out that California is a feed deficit state and rendering is the preferred method of disposal of disease-infected animals. The state’s Emergency Animal Carcass Disposal Working Group was developed after a heat wave in 2006 killed thousands of animals. Zanobini said it is a beneficial group that is developing a white paper to proclaim rendering as critical to California. He also recapped Assembly Bill 1249 recently signed into law by Governor Arnold Schwarzenegger, which allows exceptions, during emergencies, to the rules restricting the transport of dead stock to landfills by licensed haulers and shifts permitting authority from the state veterinarian to the secretary of agriculture.

### **International Markets Vital to Everyone**

Some doom and gloom returned when the convention’s focus turned to international markets. The NRA International Market Development Committee (IMDC) has lost members, and thus revenue, over the past four to five years due to company consolidation and the difficult economic conditions. Committee Chairman Mike Gilbert, Griffin Industries, contended that by moving rendered products out of the country, prices increase for everyone, not just those who export.

“Whether you’re exporting or not, everyone benefits,” he declared. “The preservation of IMDC is essential to the rendering industry.”

On a brighter note, a step was taken in reopening European markets with the European Commission’s approval of a new animal by-products regulation (see “International Report” on page 24). Although the rule won’t go into effect until sometime in 2011, animal fats will now be allowed for technical uses, meaning U.S. tallow can be exported for use in biofuels and oleochemicals. However, a condition is that the product be marked and there is some concern among U.S. renderers on how that marker will affect product quality.

Niels Nielsen, president, European Fat Processors and Renderers Association, explained that a new European Union (EU) waste incineration directive is a nightmare for renderers and the new animal by-products regulation will provide much needed clarity in many areas. He envisions EU porcine and avian processed animal proteins will get the green light for use

in aquaculture next year because of strong political support at finding a solution to rising feed prices.

The industry down under is faring well, according to Craig Palmer, president, Australian Renderers Association. Australian cattle herds are expected to increase in 2010, China is currently the biggest market for tallow exports, and poultry meal is emerging in aquaculture feed.

German Davalos, NRA regional director for Latin America, reported that Mexico's rendering industry is doing well due to high demand for its product. However, production cannot meet demand, especially in pet food and aquaculture, so there is still opportunity for U.S. product exports despite the high peso against the U.S. dollar.

Davalos described the biodiesel industry in Latin America, where Argentina uses only soy oil to produce biodiesel, which is then mostly exported to Europe. Brazil uses soy oil in 80 percent of the biodiesel produced and 15 percent animal fats, primarily imported from neighboring countries, utilizing all its production domestically. The country has moved up its five percent biodiesel mandate in the nation's diesel supply to 2010 from 2013, which is expected to boost output by 2.4 million tons next year. Chile does not produce any raw material domestically for its biodiesel production, and is interested in importing U.S. yellow grease.

Peng Li, NRA regional director for Asia, told of the difficulties in exporting to the Asian market, where China's feed industry produced 137 million metric tons in 2008, the annual demand for tallow in the soap industry is 300,000 to 400,000 metric tons per year (domestic production is less than 50,000 metric tons per year), and its biodiesel industry does not recognize animal fats as a feedstock. Kent Swisher, NRA International Programs, advised renderers to watch China as it could affect the U.S. rendering industry despite not importing any U.S. rendered products.

The next NRA annual convention will be held October 25-29, 2010, in Naples, FL. **R**

## Golding Elected NRA Chairman

The National Renderers Association (NRA) Board of Directors chose new officers for the next two years at their annual convention in October.

Elected NRA chairman was Kevin Golding, president of Rothsay, a member of Maple Leaf Foods, Inc., Guelph, ON, Canada. Golding succeeds Michael Koewler, president of SRC Companies, Sacramento, CA.

Serving as first vice chairman will be Gerald F. (J.J.) Smith Jr., president of Valley Proteins, Inc., Winchester, VA. Smith also serves as chairman of the Fats and Proteins Research Foundation.

C. Ross Hamilton, PhD, vice president, Government Affairs and Technology, Darling International, Inc., Irving TX, was elected second vice chairman. NRA President and Chief Executive Officer Tom Cook was re-elected secretary-treasurer. **R**



*New NRA officers are, from left, Tom Cook, secretary-treasurer, J.J. Smith, first vice chairman, Kevin Golding, chairman, and Ross Hamilton, second vice chairman.*



*Bob DeMent, left, Kastalon, shows John Setchell, Mendota Agri-Products, a new locking cap designed for internal waste grease tanks.*



*Ramon Lewis, left, Centrifuge Repair and Engineering, answers questions from Frank Luis, Foster Farms, at the convention's tabletop exhibit.*