

# Render

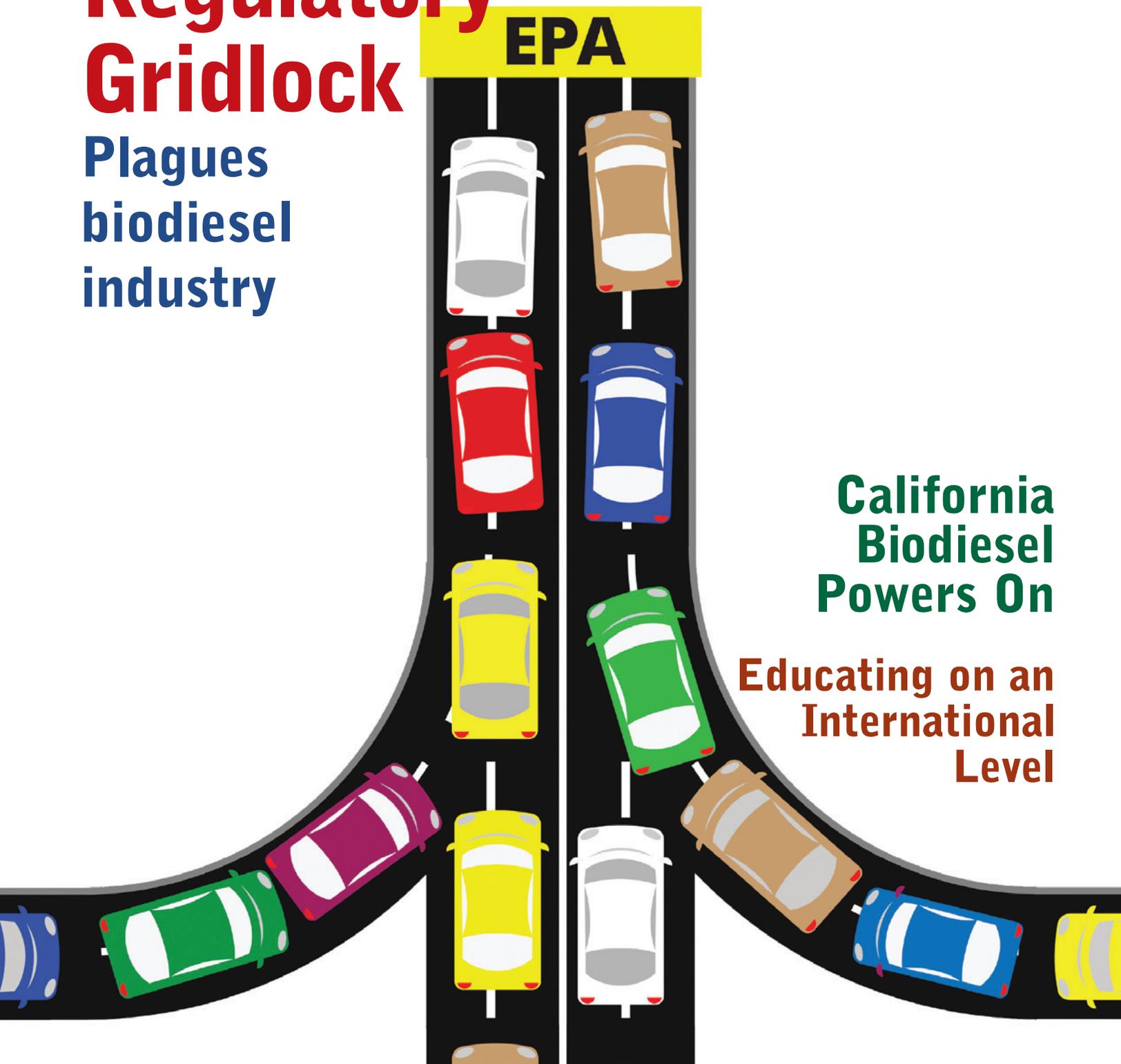
The International Magazine of Rendering

February 2015

## Regulatory Gridlock

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biodiesel  
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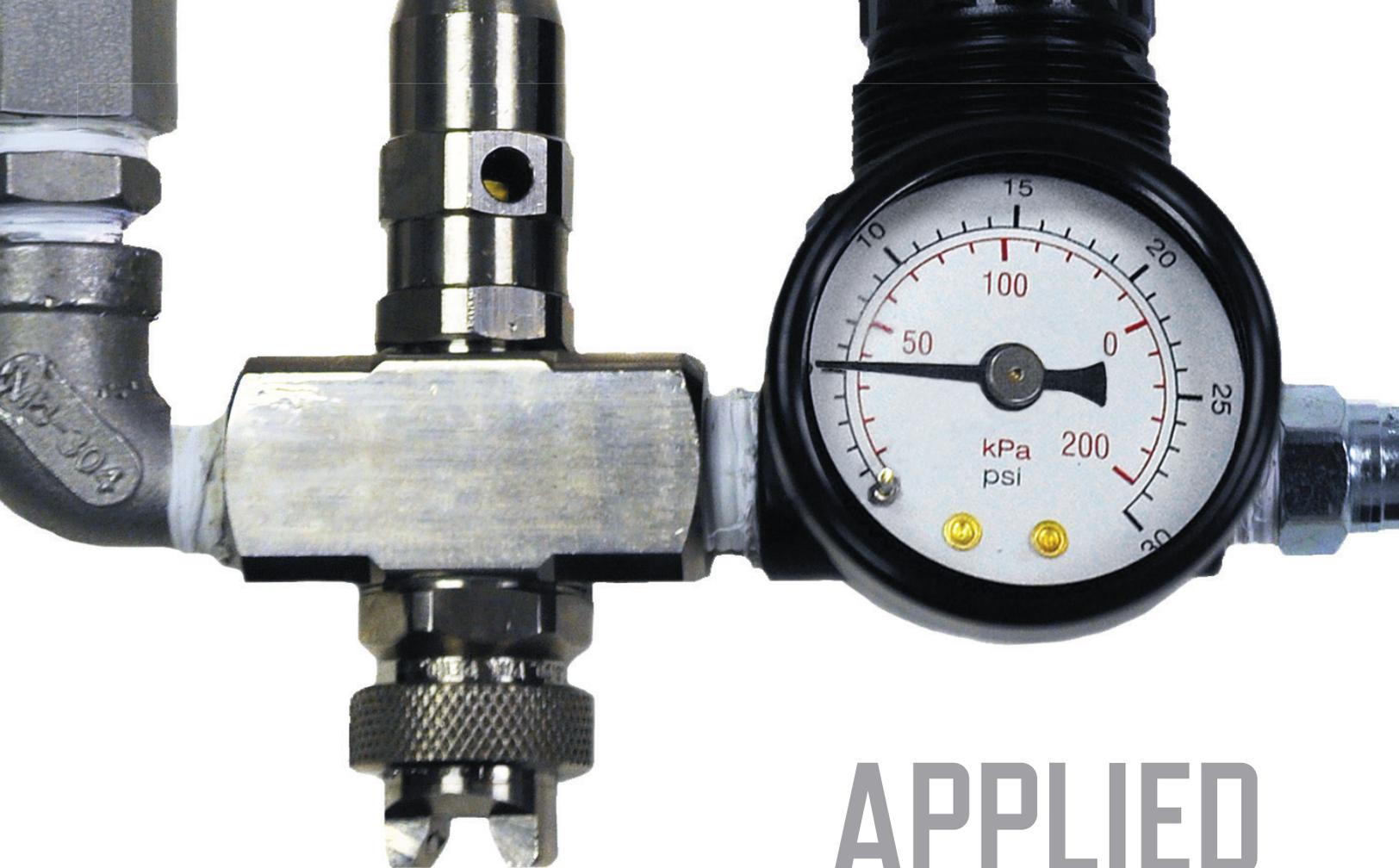


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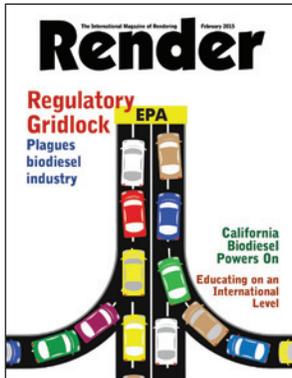
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### On the Cover

The United States biodiesel industry anxiously awaits finalization of the Renewable Fuel Standard.

p. 10

## Features

- 10 Regulatory Gridlock**  
*Plagues biodiesel industry.*
- 12 Small Producers**  
*Remain cautiously optimistic.*
- 14 California Biodiesel**  
*Powers on.*
- 16 Educating**  
*On an international level.*
- 18 Industry Responds**  
*To revised feed rule.*

## Departments

- 6 View from Washington**  
*And so it begins.*
- 8 Newsline**  
*California grease program faces financial pressure.*
- 20 Biofuels Bulletin**  
*US biofuel payments see considerable drop.*
- 22 From the Association**  
*Strategizing for the future.*
- 24 International Report**  
*Resolving to be globally stronger.*
- 25 Letters**



- 26 ACREC Solutions**  
*Renderable gloves prevent contamination.*
- 27 Mark Your Calendar**

- 28 Labor and the Law**  
*Coping with mandatory sick leave policies.*
- 30 People, Places, and...**
- 32 Classifieds**

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# Renderitorial

Celebrating the birth of a child must eventually be matched by mourning the loss of an individual. The latter is what the rendering industry is dealing with currently after receiving news about the passing of Dr. Don Franco at the end of January. While those of us whose lives he touched are saddened by his passing, there is also much to celebrate about Don.

He was a passionate soul, determined to educate anyone within earshot about the good work the rendering industry does for animal agriculture, the environment, and the safety of non-consumable animal by-products. Don was a highly intelligent man, often speaking and writing with such scientific precision and attentiveness that this editor's eyes and mind would frequently glaze over.

When he feared government regulations could possibly severely harm an industry he adored – rendering – his fiery side ignited to grab the attention of even those who didn't fully understand the nuances of prions or *Salmonella* or other microbes. Don was a cheerleader for the industry and championed for research as a weapon against the war on pathogens. We are ever grateful for his expertise during the challenging time of bovine spongiform encephalopathy.

Besides a continuous flow of articles that appeared in the pages of *Render* for 11 years, Don contributed greatly to several rendering industry books, assembling expert writers for one and focusing specifically on the industry's role in feed and food safety in another, even in retirement. He also gave his all to raising awareness on poverty, malnutrition, and disease in third-world countries by writing several books, including one I helped edit five years after he retired from the National Renderers Association. It was good to work with my friend again.

And so as the circle of life brings new beginnings in the form of children and grandchildren, so too does it begot good-byes to those who have been an integral part of our lives, even if for a brief window. The rendering industry was blessed to have just such a person in Don Franco.

We will miss you, dear friend. **R**



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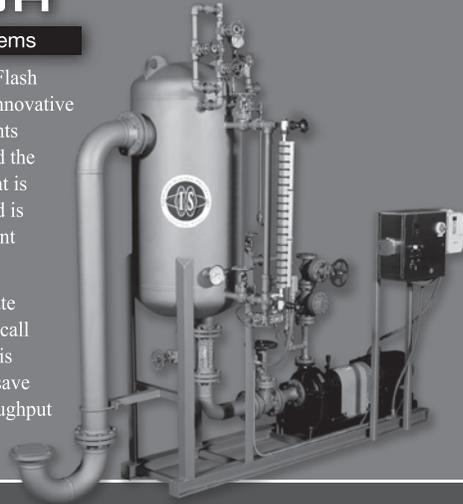
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## And So it Begins

All 535 members of the 114th United States (US) Congress were sworn in January 6, 2015. House Speaker John Boehner (R-OH) and House Minority Leader Nancy Pelosi (D-CA) were formally reelected, along with their cadres of leadership lieutenants. The scene was much the same in the Senate as Mitch McConnell (R-KY) ascended to his self-described dream job as Senate majority leader and Senate Minority Whip Richard Durbin (D-IL) stood in for Senate Minority Leader Harry Reid (D-NV) who was at home recovering from broken bones suffered in an exercise accident.

However, within seconds of Boehner unceremoniously kissing Pelosi's cheek as she handed him the Speaker's gavel, the walls of the House chamber reverberated with partisan statements, agendas and priorities, and the politics of the new Congress shifted into high gear. Senators were more gracious in front of C-SPAN cameras, but their offices cranked out a myriad of opening day press releases echoing the issue positions of their House colleagues.

At the White House, the birth of the 114th Congress went mostly unnoted in a formal manner, save for the platitudes uttered by President Barack Obama's press secretary at the daily press scrum.

Since the November 2014 election, there has been much talk about bipartisanship, leadership, cooperation, and similar nouns the public wants to hear. However, there is a dearth of action to back up those words from either party, either chamber of Congress, or from the White House.

The challenges facing Capitol Hill – and its likely behavior – are well known; the role Obama will take for the next two years is less clear. Those who study the behavior of presidents in the last two years of their second four-year term say these chief executives are in lame duck status. Their political agenda shrinks and their actions are largely confined to enhancing the historical legacy they fancy for themselves. Congress informs the White House of prospective actions, but it need not confer, or so it thinks.

Confronted with the first Republican-controlled Congress since 2006, Obama is keenly aware his administration lacks a truly defining accomplishment or program. Supporters point to the Affordable Care Act (ACA), but there are serious questions how much of ACA will exist in a form the president will embrace by the end of this Congress. Others point to the president's recent administrative actions on climate change; detractors not only challenge the fundamental premise of climate change and/or global warming, but point to the high cost of adapting America to higher/lower average temperatures and rainfall and the lack of global cooperation Obama has inspired.

If the president wishes to eschew the lame duck mantle, if he desires to achieve substantive results from his identified priorities, he needs Congress or he goes maverick. At first blush, it appears Obama has decided to go it alone. He has found glory in his power of the veto and the executive order, and the last year demonstrates his legacy efforts embrace a

wide range of issues largely ignored by Congress over the first six years of his term, including immigration reform, climate change, tax reform, trade, energy, and his much-talked about efforts relative to "equalizing assets" to improve the lot of the middle class.

The first example of the president's decision that the White House knows best is the recent executive order deferring deportation of undocumented workers. This action was only slightly less infuriating to conservative Republicans than the administration's actions over time on ACA implementation, actions that earned Obama a federal lawsuit filed by the House alleging he violated his oath of office.

Consider also the White House declaration on the first day of the 114th Congress that Obama will veto any bill seeking to approve the Keystone XL pipeline, a much-discussed Republican political goal and an obvious GOP poke at the president. The White House said its prospective veto action is necessary because review and approval of the pipeline is an administrative prerogative, not the purview of Congress. At the press briefing January 6, the president's press secretary was asked why, with all the talk of cooperation flying about, Obama said he would veto the pipeline action. The press secretary countered that Congress should not take up a bill it knows the president opposes.

Not to be outdone, Congress has come up with the legislative equivalent of the executive order – the policy rider. The beta test for the political success of this tactic was the December 2014 fiscal year 2015 omnibus spending bill. Attached to that bill were dozens of pure policy/non-spending/unrelated sections because it was the last train leaving the congressional station and lawmakers gambled Obama would not veto the appropriations package, shutting down the federal government just days before Christmas.

McConnell has said frankly he will encourage the use of such policy riders on spending bills during this Congress, relying on the same reasoning that "the president will not shut down an entire department/agency over a parochial policy disagreement." In the words of one appropriations lobbyist, "riders are the new earmarks," the old practice of writing appropriations language so specifically and narrowly that only the lawmaker's district/state/constituent could benefit. Earmarks were banned by both chambers several years ago because of increasing abuse of the system and public outrage, using as an example "the bridge to nowhere" secured by an Alaska senator that would have cost millions of federal dollars to build a bridge to an Alaska island that was home to only a handful of people.

As Boehner gavelled in the new Congress, Obama said there are issues on which he and the GOP will disagree, but there exists a surprising level of potential cooperation. So what are the other priority issues for this Congress – particularly those affecting agriculture and rendering – and how is Obama expected to react to Republican legislative initiatives? The

following is a list, keeping in mind that timing on some “A-list” issues, like immigration reform, pends until 2016 presidential election leverage can be maximized by both parties.

**Job creation:** It is all about jobs. With the ink barely dry on GOP press releases announcing jobs bills, Pelosi took the opportunity while affirming Boehner’s speaker reelection before the full House to announce the Democrat agenda on more jobs. Many of the bills contemplated are retreads from the last Congress. For himself, Obama barnstormed the country running up to his State of the Union speech in late January, drumming up support for his jobs agenda. Boehner said his party has three bipartisan bills. In addition to approving the Keystone XL pipeline with its domestic construction employment, the GOP jobs bills – pegged to Republican allegations of negative ACA impacts on hiring – include legislation to provide ACA exemptions for small businesses if they hire veterans who have health care through the Department of Defense or Veterans Administration, and a bill to restore the 40-hour workweek – with its higher wages – instead of the ACA 30-hour workweek requirement for mandating employee health insurance.

Citing the need for a “national manufacturing strategy,” the Democrats are taking pages from overseas playbooks that contemplate tax incentives, research investment, and support for infrastructure investment. In a letter to her caucus, Pelosi said one bill will target companies who move headquarters to avoid US taxes, shifting that revenue to the near-bankrupt federal highway trust fund. Another bill targets executives of publicly-held companies earning more than \$1 million a year by withholding tax deductions unless the company provides rank-and-file employees with raises to match cost-of-living shifts. A separate bill focuses on increasing US exports through reliable physical and telecommunications infrastructure, trade rules enforcement, and targeted assistance.

**Renewable Fuels Standard:** For the Senate, approval of the Keystone XL pipeline is the first of several energy actions McConnell has identified. Others include the Renewable Fuels Standard (RFS), the federal mandate on how much biofuel by fuel category must be blended

with gasoline and diesel on a yearly basis. The RFS was a “maybe” issue until the White House decided to walk away from setting a final 2014 RFS mandate, opting to roll it into a decision on 2015 levels. Critics immediately seized on the inaction as tacit administration admission that the RFS is flawed. While the petroleum industry and animal agriculture broadly want to see the RFS repealed – poultry and pig farmers, ranchers, and meat processors say the RFS, by arbitrarily creating a corn ethanol market, artificially elevates

feed prices – that outcome is unlikely. Ethanol and biodiesel producers, along with renderers, want the RFS liberalized to reflect fast-growing industries. Those in the middle concede the 2006-enacted RFS authority needs to be fixed. Repeal is unlikely because such action puts rural lawmakers in an untenable political position between ethanol/biodiesel producers/crop farmers and animal producers and big oil. The White House is silent on the future of RFS, though

*Continued on page 9*

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# California Grease Program Faces Financial Pressure

Years ago, California renderers developed a program administered by the California Department of Food and Agriculture (CDFA) to help stop the escalating grease theft in the state. While the Inedible Kitchen Grease (IKG) Program has evolved over time, adding stricter laws and higher fines, the fees to run the program were reduced at one point because of a surplus of funds in reserve. Well, the reserves have since dried up and the state has pulled its financial contribution, which accounted for about 40 percent of the program's \$1.1 million annual budget, forcing members of the Rendering Industry Advisory Board to rethink how to ensure the program remains sustainable.

The board met in early December where it was announced that there is projected funding for just one more year at the program's current budget level. Registration fees for renderers and grease transporters are at regulatory limits, currently capped at \$3,000, and a change in law would be required to raise them. Collection center fees could be increased under current statute, but the funds will not be nearly enough to cover the shortfall at the program's current spending level. One recommended option was having California restaurants participate in the program since they are the originators of IKG. Although several CDFA staff members funded under the program recently retired or moved to other departments, advisory board members will need to examine where the budget can be trimmed and possibly seek legislative authority

to allow doubling of the current fees, with a cap, if the board determines more monies are required to cover future program expenses.

Other business discussed at the meeting was the program's manifest system, which is reportedly working as intended to track the movement of IKG in the state. However, there are some reporting discrepancies on gross weights due to grease truck drivers discounting the amount of IKG collected for water weight. Program violators are reported on the program's website at [www.cdfa.ca.gov/ahfss/mpes/IKG\\_Program.html](http://www.cdfa.ca.gov/ahfss/mpes/IKG_Program.html) under "Report Grease Theft," with an update of active violators expected in February.

In non-IKG related news at the board meeting, CDFA announced that staff is looking to develop a biosolids pathogen reduction standard that is the same or better than federal standards to be used in evaluating research projects and approving rendering plant applications. Researchers at the University of California, Davis (UCD), are evaluating current rendering processes and other heat treatment methods for pathogen control of animal products when these products might be used for agricultural purposes, such as animal feed or fertilizer. Concerned about possible duplication of existing research, advisory board members will refer the UCD researchers to the Fats and Proteins Research Foundation and the Animal Co-Products Research and Education Center at Clemson University for collaboration. **R**

## Correction

In the December 2014 *Render* article "Research Group Returning a Good Value," new Fats and Proteins Research Foundation Chairman Erika Weltzien should have been listed as working for Rothsay. We apologize for the error.



New Fats and Proteins Research Foundation officers are (from left) Erika Weltzien, Rothsay, chairman; Duane Anderson, Farmers Union Industries, vice chairman; and Charles Starkey, American Proteins, treasurer.

## Feed Low Risk for PEDv

New research indicates that the risk of porcine epidemic diarrhea virus (PEDv) surviving in feed ingredients of porcine origin is negligible.

Last year, the pork industry, feed manufacturers, and renderers were impacted by PEDv, a highly contagious virus that has killed more than 10 million baby pigs in the last few years. Feed containing porcine blood products was blamed for spreading the disease, leading to recommendations by some pork industry advisors that all animal by-products be removed from pig feed.

The National Renderers Association joined pork and feed organizations to conduct a feed risk assessment with the University of Minnesota to determine if there are gaps in the knowledge of the virus in feed or needed changes in industry recommendations. Nine rendering companies helped fund this research. The final report showed survival of the virus in the rendering and hydrolyzed protein processes is negligible. PEDv survival after spray-drying blood plasma and a storage period was also deemed to be negligible, while post-processing contamination risk by vector and air pathways was categorized as negligible to low. The researchers noted that these and other conclusions are based on limited data and additional research is recommended. **R**

insiders say the Environmental Protection Agency's (EPA's) action last year to dramatically reduce the various biofuel RFS mandates signals a lack of ongoing support for the program.

**Energy/Environment:** In addition to the aforementioned energy actions, Republicans have targeted restrictions or rollbacks of several EPA regulations. For McConnell, the priority will be to gut EPA rulemakings on clean air, specifically those that purport to reduce carbon dioxide and other greenhouse gas emissions from existing and new power plants. He has pronounced these regulatory initiatives the administration's war on coal. Not far behind the clean air initiatives is the agency's colossally unpopular move to expand its Clean Water Act authority to cover all waters of the United States rather than the current navigable waters. EPA said it must expand its authority to meet court orders on water protection. Agriculture broadly and strongly opposes the expanded water rulemaking, including an accompanying interpretive rule seeking to protect existing ag exemptions from the new authority, saying the agency's action is a power grab that will allow EPA to regulate on-farm ponds, ditches, swales, and the like. Most ag groups – and a large bipartisan chunk of Congress – have called on EPA to withdraw the rulemaking. Included in the December 2014 omnibus spending bill was language to halt progress on the rule, but EPA stated it does not have to do what Congress intended it to do.

In other energy initiatives, there is growing bipartisan support to increase US energy exports, particularly by lawmakers in states like North Dakota, Texas, Iowa, and Illinois. The increase in US oil and gas production, coupled with strong production trends in ethanol and biodiesel, argue energy markets across the planet should be exploited by US conventional and alternative energy production. Lastly, there appears to be new hope for a bipartisan Senate bill that has languished for four years providing tax incentives to private and public buildings that invest in green technologies to make them more energy efficient.

**Trade:** The 114th Congress will likely wrestle with three major trade initiatives. First is the Trans-Pacific Partnership (TPP), an effort of 12 Pacific Rim nations to eliminate import tariffs. TPP is a White House priority that has been stymied by Japan and Canada who refuse to drop all tariffs on most imports of US meat and dairy despite heavy lobbying at the highest levels. Second, the United States and European Union continue to try and beat the odds and hammer out free trade parameters between the two global economic monoliths as part of a Transatlantic Free Trade Agreement (TAFTA). Third, Obama's surprise December announcement that the United States will normalize diplomatic relations with Cuba has domestic agriculture interests salivating over increased trade. However, Congress must act to remove or modify the economic embargo in place since 1963 following the military takeover of the Cuban government by Fidel Castro.

All three of these pending trade issues have significant economic implications for US exports of rendered products. Increasingly important to all three agreements is trade promotion authority (TPA), or fast-track treaty authority, for the president. TPA allows the president to negotiate trade deals and prohibits Congress from changing the agreed-to

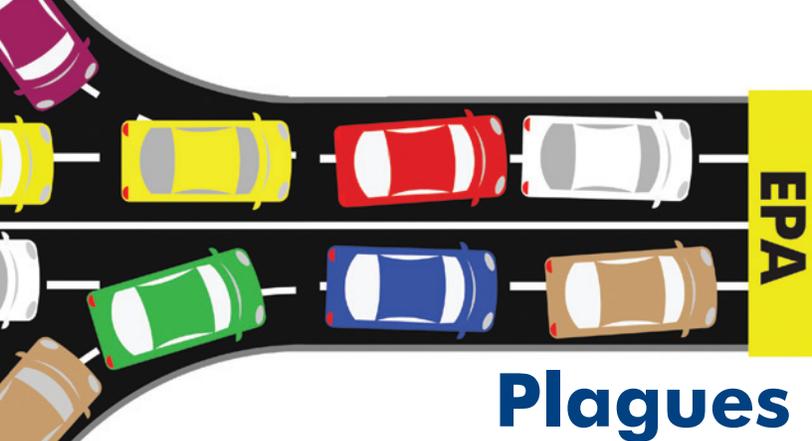
treaty, only approving or rejecting the final product. While Obama has used several Asian trips to tout TPP, his White House legislative team had not actively pursued TPA until the last few months. Interestingly, it is congressional Democrats who will not give the president TPA, saying the White House has ignored them, arguing that all three trade deals need more congressional consultation to ensure human rights, labor, and environmental protections in each treaty are strong. Signals from GOP congressional leaders indicate they are willing to approve TPA, enhancing the likelihood of treaty success, but only if Obama formally requests and campaigns for the negotiating protections.

**Immigration reform:** The seemingly never-ending battle over immigration reform will continue in 2015, but the odds of significant action will not increase until 2016 given the issue's key role in presidential politics and which party can attract Hispanic voters. There is consensus between both parties and chambers that there may be some legislative nibbling this year around the edges of broad immigration reform, focusing on increasing temporary agriculture and technical worker visa numbers.

There may also be some increased investment in fortifying the southern US borders. There will definitely be action in both chambers come February when the fiscal year 2015 Department of Homeland Security (DHS) spending bill expires to undo Obama's executive order deferring deportations for some illegal immigrants while giving them work permits and other federal benefits. The GOP-inspired short-term DHS funding was done deliberately as part of the broader fiscal year 2015 omnibus spending package approved in December, limiting what DHS can spend to implement the president's executive order. Obama said he will veto any bill that seeks to undermine his executive action on deportations, a move he deems necessary because Congress has not acted.

The overarching political challenge is how to deal with 12 million-plus illegal immigrants in the United States, many of whom hold important jobs Americans will not do. This is where the two political parties part ways. For the Democrats, it is all about a path to citizenship, adopting a system similar to that included in the bipartisan Senate comprehensive reform package approved in 2013, but ignored by the House. Criminal background checks, tax payments, English proficiency requirements, formal applications, and other requirements nearly guaranteeing citizenship is about a decade away for most illegal workers in the United States under the Senate plan. For the GOP – as described by House immigration reform leaders – it is not citizenship that should be granted, but legal status. The notion of granting citizenship to undocumented immigrants under any circumstance is an anathema to conservative Republicans.

Other issues sure to get Republican attention – and likely generate Democrat opposition and more White House veto threats – include tweaking the Dodd-Frank financial reform law to loosen restrictions on banks and financial institutions when it comes to using futures markets, as well as how to fund the federal highway trust fund long-term so a multi-year reauthorization of federal transportation and commuter construction programs can be achieved. Obama has vowed to veto any effort to gut the Dodd-Frank law, but has been mostly silent on reauthorization of transportation programs. **R**



# Regulatory Gridlock

## Plagues biodiesel industry

By Tina Caparella

As the United States (US) biodiesel industry heads into a new year, there has been no finalization of renewable fuel obligations for 2014 and beyond under the Environmental Protection Agency's (EPA's) Renewable Fuel Standard (RFS), and no extension of the long-standing blender's tax credit that received a one-year retroactive reprieve at the end of 2014. So where does that leave biodiesel producers? In a regulatory gridlock that leaders are determined to successfully fight through.

The National Biodiesel Conference and Expo held in January in Fort Worth, Texas, focused on an array of issues, but none were as prevalent as federal policy. Due to the failure of EPA to finalize renewable fuel mandates under the RFS, many biodiesel plants reduced production or shuttered altogether in 2014. According to the National Biodiesel Board (NBB), biodiesel consumption fell slightly to 1.75 billion gallons last year after a record 1.8 billion gallons in 2013.

"The numbers would have been even lower had the EPA not signaled throughout the year that it will strengthen the RFS proposal and finalize it promptly," said Joe Jobe, NBB chief executive officer. "But companies can operate on faith for only so long. We have already seen many producers close their doors, and many others are struggling to stay open as we enter a new year with continued uncertainty.

"It is our goal for 2015 to get the RFS back on track," Jobe rallied at the conference.

Paul Argyropoulos from EPA's Office of Transportation and Air Quality reassured conference attendees that the agency is working tirelessly on the RFS, taking seriously those comments received on its November 2013 proposed rule. He expects "something" to come out in the spring, but it is a "complete mystery what that 'something' will be," Argyropoulos noted. In the end, EPA is striving along with the biodiesel industry to get the RFS back on track, intending to set fuel obligations for 2014, 2015, and 2016 in one proposed rule.

As for the expired tax credits, NBB and industry members have much work ahead. Tim Urban, Washington Council, Ernst & Young, believes the slow response from Congress on extending the credits has little to do with biofuels and more to do with politicking ahead of the 2016 presidential election. He predicted the odds are good of eventually getting the tax extension, but not before the end of this year and for only one year. Jim Massie, Alpine Group, concurred, adding that getting the extension will require NBB and others to continually visit Washington, DC, and make their case.

Anne Steckel, NBB's vice president of federal affairs,

informed conference attendees the board's plan for 2015 is to acknowledge the diversity of the industry and make its case louder and more consistent in Congress. Former Representative Kenny Hulshof (R-MO) noted that Republican and new members of Congress need to be educated about the benefits of biofuels to gain their support. Former Senator Byron Dorgan (D-SD) pointed out that if President Barack Obama is going to talk about climate change as he did in his January State of the Union address, he and his administration must talk about and support renewable fuels that reduce greenhouse gas emissions. Former Missouri Governor and Naval officer Matt Blunt voiced his view that energy security does not mean drilling more oil.

"More US oil does not change the fact that prices are set globally based on international factors that go far beyond simple supply and demand," he explained. "With only one fuel source, we have no options and instead remain subject to the highs and lows of the global market.

"Long term, we benefit when we diversify our fuel with clean burning biodiesel and alternative fuels," Blunt said.

Despite the regulatory hurdles, the industry did see some successes in 2014. Steven Levy, Sprague Operating Resources, shared that NBB's Advance Biofuel Initiative raised awareness about biofuels to consumers and state and federal government officials via television commercials and print ads. In addition, ASTM International approved six to 20 percent biodiesel blends in bioheat and Minnesota increased its biodiesel mandate to 10 percent during summer months.

One conference session featured producers' optimistic stories of struggles and determination. Gene Gebolys, World Energy, said every year has been a challenge, yet every year the industry has survived. Don Oh, Renewable Energy Group, quipped that the industry sees cycles of volatility, draws on lessons learned from the past, and offers a stable and quality alternative fuel. Paul Soanes, Renewable Biofuels Inc., noted that although 2015 is looking a lot like 2014, which looked a lot like 2013, which looked a lot like 2012, with continued uncertainty on the regulatory side, he believes 2015 will be another strong year for biodiesel. All three agreed the industry has had to continually adapt and reinvent itself to remain strong by installing more efficient processes and producing a better product to further increase customer acceptance and demand.

Oh concluded the session by forecasting biodiesel facilities will diversify into other products such as chemical production to grow and survive.

## Trade and State Mandates

Mindi Farber-DeAnda, US Energy Information Administration, confirmed the consumption of biofuels in the country remained strong in 2014 as did imports. Canada doubled its biodiesel exports to the United States last year compared to 2013, and the majority of other biofuel imports arrived on the West Coast, which is the primary entry point for renewable diesel, most likely due to California's low carbon fuel standard.

Kevin McGeeney, SCB, announced that European biodiesel consumption is nudging four billion gallons despite current capacity of around seven billion gallons. However, growth is expected to reach six billion gallons by 2020, at which time the current European Union (EU) biofuels mandate expires.

"On the surface, this is pretty bad news," McGeeney commented. "But the 15 producers in the EU feel there will be country mandates." European producers are pleased with the higher margins in 2014 between feedstock cost and biodiesel sold, and the European Biodiesel Board is confident the antidumping measures against the United States will be renewed based on the 2014 tax credits being reinstated, meaning very little US exports to Europe, per McGeeney.

Providing a petroleum perspective was Paul Oesterreich, Western Petroleum Company, who purchases biodiesel domestically based on economics. Each year has been distinctively different, he stated, especially 2014 when some fuel was bought without a tax credit, some with a partial credit, and some with the entire credit. Going into 2015, the fuel company is waiting for direction from EPA.

"There are a lot more unknowns than knowns for 2015, and uncertainty usually creates a more conservative approach to trade," Oesterreich explained, although he is seeing large petroleum producers continue the status quo regarding biodiesel so far this year. In general, he believes "big oil" is into biodiesel for the long haul.

Focusing on the Canadian market began with Andrea Kent, Canadian Renewable Fuels Association, which is celebrating its 30th anniversary in 2015. Canada currently has a two percent biomass-based diesel federal mandate with various provincial-set requirements: British Columbia at four percent, about 35 million gallons of biodiesel; Alberta at two percent, also around 35 million gallons; Saskatchewan at two percent, about 13 million gallons; Manitoba at two percent, about 5 million gallons; and Ontario at four percent by 2017, a 70 million gallon potential. Ontario's new mandate is geared



The conference's display of biodiesel-powered vehicles is always popular with attendees.

toward reducing greenhouse gas emissions 70 percent over petroleum by 2017 with an initial two percent biomass-based diesel blend currently, increasing to three percent in 2016, and capping at four percent by 2017.

Ian Thomson, Western Canada Biodiesel Association, noted that domestic capacity is less than demand so the country must import biodiesel and renewable diesel, especially in western Canada.

While the US biodiesel industry awaits renewed federal support of biofuels, many states continue to back the use of alternative fuels, with Minnesota and Illinois leading the pack, according to Shelby Neal, NBB state governmental affairs. Minnesota recently increased its mandated biodiesel blend with petroleum diesel to 10 percent in the summer months and Illinois renewed a sales tax exemption on any biodiesel blend above 10 percent until December 31, 2018. Rhode Island was the first to implement a state-wide bioheat (heating oil blended with biodiesel) mandate and New York City now requires five percent biodiesel in its vehicle fleet, with an increase to 20 percent beginning July 1, 2016.

Neal highlighted regions to watch in 2015, including California and Washington and their low carbon fuel standards, Oregon with its five percent mandate, New York's two percent bioheat mandate, and a five percent bioheat requirement in New York City.

Rebecca Richardson, MARC-IV Consulting, recapped how the Illinois tax exemption came to be. Proponents were able to show state legislators how the sales tax exemption for biodiesel was worth far more to the state than its cost, including the 9,000 jobs the industry supports. From 2003-2011, biodiesel production in the state grew to nearly 200 million gallons, where it currently stands today.

Biodiesel policy in Minnesota has had its ups and downs, but mostly ups, according to Mike Youngerberg, Minnesota Soybean Growers Association. The group was also able to show state legislators the benefits of the increased 10 percent biodiesel blend, including supporting over 5,600 jobs and reducing GHG emissions an additional 275,000 metric tons per year. Minnesota law will require a 20 percent summer blend beginning in 2018, increasing the state's biodiesel summer usage from 68 million gallons to 110 million gallons. The state has a five percent mandate the rest of the year. **R**



Former Senator Byron Dorgan (*left*) emphasizes that the president's climate change agenda must support renewable fuels while former Representative Kenny Hulshof listens.

# Small Producers Remain Cautiously Optimistic

By Tina Caparella

Hindsight is everything, but Jennifer Case still loves what she does – making biodiesel.

“It’s been such a roller coaster ride,” admitted the chief executive officer of New Leaf Biofuel in San Diego, California. “But we [the biodiesel industry] are still so new that we have to cut ourselves some slack.” Embracing the concept of an environmentally friendly alternative fuel, Case joined the company as its lawyer in 2006 and took the helm three years later when a co-founder left. Husband Tyler came on board in

2010 and along with more than two dozen employees, a few state grants, and a \$1 million private investment upgrade, New Leaf was nearing full production of its five million gallon capacity at the beginning of 2014. Then all went to hell in a hand basket.

“It was pretty tough,” Case explained when last April the company suffered substantial layoffs for the first time in its history as multiple incentives that aided the biofuel producer’s growth vanished or were threatened. The on-again, off-again biodiesel tax credit ended December 31, 2013, at the same time the Environmental Protection Agency proposed cutbacks in the Renewable Fuel Standard mandating the use of renewable fuels, including biodiesel, in the nation’s diesel fuel supply. While other biodiesel companies did not survive the tumultuous year, New Leaf Biofuel is holding on thanks to its successful used cooking oil collection business and a new partnership with Los Angeles, California-based renderer Baker Commodities Inc.



Jennifer Case at the National Biodiesel Conference in Fort Worth, Texas.

Case also credits the company’s tenacity to its slow, pieced-together growth, adding a processor here, an upgrade there, and its philosophy of being environmentally conscientious by recycling a local waste product and giving it back to the community. New Leaf Biofuel collects used cooking oil from over 1,000 San Diego-area restaurants and turns it into biodiesel for use in the local market. However, since 2006, Case has taken her rose colored glasses off and sees the future in a much more challenging light.

“In the beginning, I thought support was going to come from everywhere,” she noted. “Now, it’s shocking to me every time a nail goes into the coffin.” Case pointed out that biodiesel benefits the environment, the oil industry, and creates jobs, and she believes federal support will come eventually.

“We’re scrappy,” she said. “We’re going to win the war.”

North of the border, Canadian producers are also fighting the good fight, although set-in-stone federal and provincial biomass-based diesel mandates would seem to make the battle less challenging. Not so, according to Alan Rickard, Rothsay Biodiesel in Ontario, Canada.

“It’s great to see Canada’s mandates, but we experience the same uncertainty in Canada as in the United States,” he explained, primarily because biodiesel is both exported to and imported from the United States, more so in eastern Canada than western. Rothsay produced about 14 million gallons of biodiesel in 2014 from animal fats and used cooking oil, near capacity at its plant in Dundas. **R**

## Biodiesel from Animal Fat Greatly Reduces GHGs

A recent study by the Institute for Energy and Environmental Research (IFEU) in Heidelberg, Germany, found that biodiesel produced from animal fat reduces greenhouse gas (GHG) emissions by 85 percent compared to fossil fuels.

European Union institutions have long recognized that biodiesel made from animal fat is highly sustainable and offers significant potential for reducing GHG emissions. Accordingly, Europe’s Renewable Energy Directive rates this type of biodiesel as particularly worthy of support.

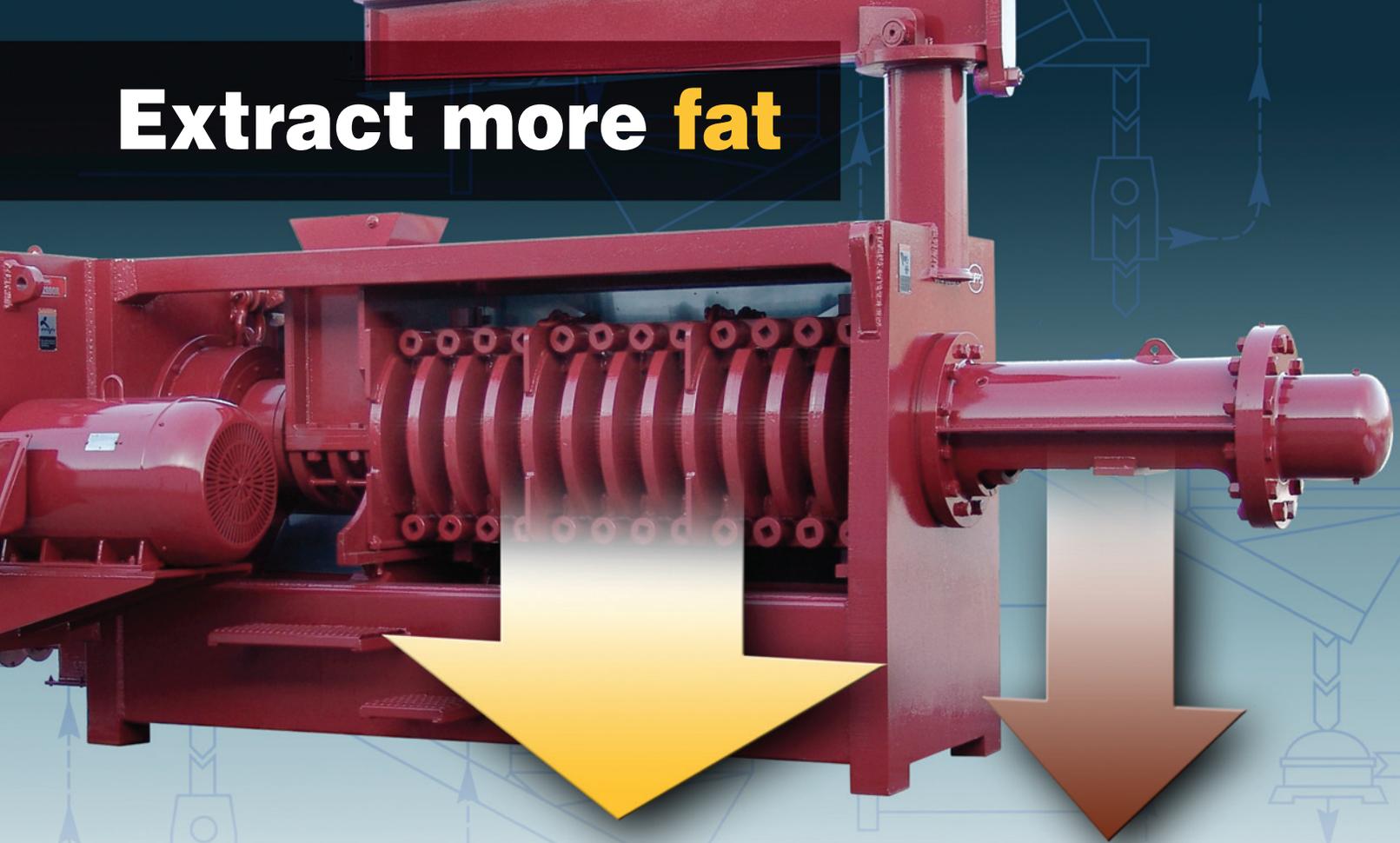
Until now, the actual savings on GHG emissions achieved by biofuels were only relevant with regard to the legal minimum reduction requirement in Europe’s Fuel Quality Directive. In view of the GHG quota set out in the directive, it is no longer just a case of complying with minimum requirements – the actual achievable level is also becoming increasingly important.

The latest calculations carried out by the International

Sustainability and Carbon Certification system reveals that producing biodiesel from animal fat achieves an 85 percent saving in GHG emissions compared to fossil diesel fuel. The methodology underlying this calculation was examined by the IFEU as part of a study commissioned by the European Fat Processors and Renderers Association. It specifically looked at how the GHG emissions resulting from the processing of animal by-products should be allocated.

The study confirms the accuracy of the calculation methods used. European public health restrictions mean that animal by-products are subject to special disposal regulations and as a consequence have a negative market value. Therefore, according to the IFEU, all emissions relating to treatment necessary for compliance with public health requirements in sterilized animal fats should not count toward the total amount of GHG emissions generated during production of the associated biofuel. **R**

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# California Biodiesel Powers On



California biodiesel producers tried to remain strong in 2014, even though production dropped to 25.9 million gallons, eight percent lower than the 28.2 million gallons in 2013. Just like throughout the rest of the country, there are challenges ahead in the state that members of the California Biodiesel Alliance (CBA) focused on as they met in early February for the fourth annual California Biodiesel Conference.

CBA President Russ Teal, Biodico Sustainable Biorefineries, began the day by informing attendees that consumers and legislators do not understand how big the California biofuels industry currently is and the infrastructure that is already in place. He revealed that biodiesel, ethanol, and biogas are being produced in almost every congressional district in the state, something legislators need to be made aware of.

CBA Chairman Curtis Wright, Imperial Western Products, repeated the message that the efforts of California biodiesel producers this year should be on spreading the word to legislators, Governor Jerry Brown, and consumers that “biodiesel is here to stay.” Part of the message should be that the industry is providing jobs and biodiesel helps the environment by reducing greenhouse gases (GHGs). California is home to the top five most polluted cities/regions in the United States: Los Angeles-Long Beach, Visalia-Hanford, Bakersfield, Fresno, and Modesto-Merced. Wright declared this will be a critical year for biodiesel in California as the state’s low carbon fuel standard (LCFS) is being readopted with some modifications, and an alternative diesel fuel (ADF) regulation could pose challenges. CBA is hiring a lobbyist to assist with these and other state regulations affecting biodiesel.

Richard Corey, California Air Resources Board (CARB), is convinced that all alternative fuels (i.e., compressed natural gas, hydrogen, biodiesel, etc.) will play a key role in the state’s goals of (1) reducing GHG emissions to 1990 levels by 2020, (2) reducing petroleum use by up to 50 percent by 2030, and (3) reducing GHGs to 80 percent below 1990 levels by 2050. The last two targets were announced by the governor during his inaugural address in January. Corey summarized the proposed LCFS changes, with the biggest being updating the carbon intensity (CI) calculator using the latest science on direct land use for soy and canola oils, which lowers the CI number of these feedstocks quite significantly, from 83.25 to 51.1. A lower CI score for a feedstock generates a greater carbon credit in the state. Tallow has a score of 40.18, used cooking oil is 18.72, and distillers corn oil comes in with the lowest score of 4.0.

CARB met in mid-February to accept the staff-proposed LCFS changes and hear comments from stakeholders. The board is expected to vote this summer to readopt the standard. If that happens, new reporting provisions will begin January 2016 with the biodiesel in-use requirements starting in 2018. Biodiesel blends will be limited to five or 10 percent, depending on feedstock and time of year, with additives allowing blends up to 20 percent (B20).

California biodiesel producers voiced their concerns over the ADF regulation and monies collected under the state’s cap and trade program not being distributed to the biodiesel industry. Corey reassured the group that CARB’s concern over the increased NOx from biodiesel in the draft ADF regulation is just a “blip” that will get resolved. He added that new legislation is being introduced that will ensure biodiesel is included in future funding awards for new plant and infrastructure builds under the cap and trade program.

Tim O’Connor of the Environmental Defense Fund and Bonnie Holmes-Gen of the American Lung Association of California reiterated the bad news that California has some of the most polluted cities across the country and needs renewable fuels to help clear the air. O’Connor revealed that the United States uses six to eight times more fuel per person than any other country. Both groups support the LCFS.

“We need to get the cleanest, most sustainable fuels possible,” Holmes-Gen stated.

Lisa Mortenson, Community Fuels, shared the successes of her 22-million gallon per year biodiesel facility built in 2006 in the Port of Stockton, California. She said the volatility in the industry stems from regulatory uncertainty so stable federal policy is needed to allow the industry to grow. Mortenson highlighted the many benefits of biodiesel – renewable, biodegradable, nontoxic, reduces harmful emissions – and its positive energy balance: for every unit of fossil energy it takes to produce biodiesel, over five units of renewable energy are returned, the best of any fuel produced in the United States. She noted there are more fats and oils available now for feedstock than ever before with new oils continually being investigated.

One such oil getting much attention is distillers corn oil (DCO). Clayton Vaughan, Corn Oil One, explained that the “new kid on the block” feedstock is a co-product of ethanol production, with potentially three billion pounds (1.3 million metric tons) being produced by the end of this year, of which one billion pounds (453,000 metric tons) will go into biofuels in the United States. One billion pounds is exported, primarily to Neste in Europe for biofuel, and 1.1 billion pounds goes into feed, although Vaughan thinks the greatest potential for DCO is in biodiesel. He explained that DCO prices follow yellow grease on the bottom end and soy oil at the top.

Dr. Douglas Hepper, California Department of Food and Agriculture, explained the state’s rendering enforcement program to curtail the theft of used cooking oil. He reported that under new legislation, the department was able to deny four registrations and three licenses at the beginning of this year due to illegal activities.

“These are fairly well-known inedible kitchen grease renderers,” Hepper stated, adding that two of the companies have appealed the denials.

Gavin Carpenter, SeSequential Pacific Biodiesel, discussed Oregon’s Clean Fuels Program rules aimed at lowering the

carbon content of transportation fuels by 10 percent over the next 10 years. He showed how the baseline for the program will be a five percent biodiesel blend with petroleum diesel, eventually capping at 10 percent by 2025. Carpenter described Oregon's tax forgiveness law that waives the 30-cent state excise tax for B20 and higher blends derived from used cooking oil sold at the retail level. He noted there are currently 61 B20 retail locations in Oregon, with SeSequential Pacific Biodiesel supplying 3.2 million gallons of biodiesel per year to the state's retail market, about 60 percent of the Salem, Oregon, facility's sales.

**More fats and oils are available now for feedstock than ever before with new oils continually being investigated.**

Simon Mui, Natural Resources Defense Council, encouraged biodiesel producers to invite policymakers to tour their facilities so they understand the process, benefits, and need for support. He predicted California's alternative fuel market share could triple to 20 percent by 2025 under the LCFS, with biodiesel being a major component. Shashi Menon, EcoEngineers, explained a new "quality" renewable identification number verification program aimed at creating stability in renewable fuel credits going forward after multiple fraud cases surfaced in the past few years.

Several members of the National Biodiesel Board (NBB) spoke to the group, including its chief executive officer Joe Jobe, who gave examples of how easy it is to plant myths about biodiesel and how difficult it is to dispel those myths. He also voiced the board's frustration over the Environmental Protection Agency's recent decision on Argentina biodiesel imports (see Biofuels Bulletin on page 20).

NBB's Shelby Neal revealed that California is the 13th top biodiesel producing state. He noted that biodiesel production occurs where feedstocks and/or markets exist, and where state policy support is strong. Neal stated he is bullish on California. **R**



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# Educating on an International Level

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By Tina Caparella

Nearly 30,000 poultry, meat, and feed industry leaders from around the world traveled to Atlanta, Georgia, at the end of January for the International Production and Processing Expo. Among those was a good contingent of rendering industry members, including the staff of the National Renderers Association (NRA) who continued the tradition of educating the masses about rendering via an exhibit hall booth and international rendering symposium. Visitors who stopped by the booth were provided various printed materials that described rendered products and their benefits, along with past issues of *Render* magazine. Staff members were also on hand to answer a multitude of questions.

Many international feed leaders attended the rendering symposium, which began with Charles Starkey, American Proteins Inc., explaining the nuts and bolts of rendering. He pointed out that from 35 to 45 percent of every animal slaughtered for food in the United States (US) is rendered and turned into 11 billion pounds of protein meals that are a sustainable animal feed ingredient. Starkey informed attendees that biosecurity is very important in the rendering process that destroys any bacteria of food safety concern. He also underlined that rendering sequesters at least five times as much greenhouse gas as it emits.

Ansen Pond, Darling Ingredients Inc., focused on quality assurance, stating that renderers have a responsibility to provide safe, quality ingredients to their customers for use in pet food and livestock feed. Renderers focus on three food safety hazards: biological, such as *Salmonella* and *E. coli*; chemical, including insecticides and pesticides; and physical, especially foreign material. He noted that often times raw material suppliers do not understand that the finished products renderers produce go back into the food chain.

Next up was Henry Turlington, American Feed Industry Association (AFIA), who described the impact of the Food Safety Modernization Act (FSMA).

"This law touches every aspect of animal feed," he declared. "We will need to identify the hazards and ensure they are controlled." The FSMA final rule expected by the end of August will provide current good manufacturing practices the Food and Drug Administration (FDA) wants animal feed producers to follow. Turlington stated that FDA's goal is to develop a proactive program to reduce potential animal food safety risk and will use third-party audits to ensure compliance with the new regulation, such as AFIA's Safe Feed/Safe Food program and the *North American Rendering Industry Code of Practice*.

Kent Swisher, NRA international programs, provided a global overview of rendered products that have an array of other uses besides animal feed, including soaps, lubricants, fertilizer, oleochemicals, and biofuels. He showed the European Union (EU) was the largest exporter of animal protein meals

in 2013 at 806,969 metric tons due to their non-use within the EU. The United States was second in exports at 552,753 metric tons. The largest importer of animal proteins in 2013 was Indonesia due to "lots of people, poultry, fish, and pets," according to Swisher.

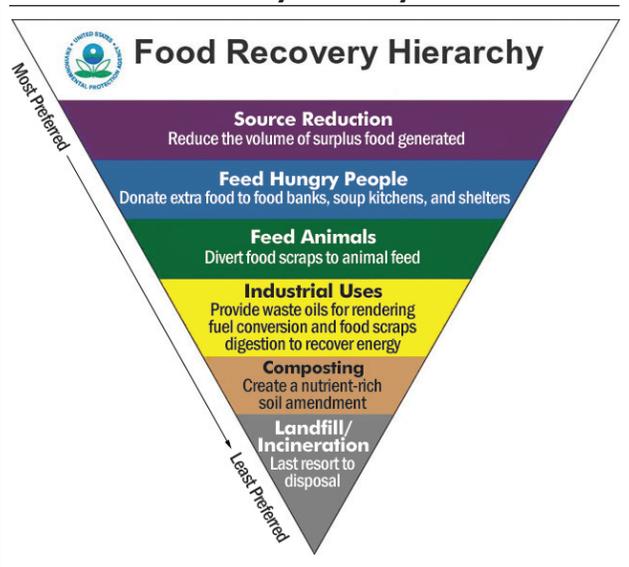
As for animal fats, the United States was the world leader in tallow exports in 2013 at 459,564 metric tons followed closely by Australia at 430,395. Singapore emerged as the largest importer of tallow that year, mostly from Australia, primarily for Neste's renewable fuel plant. However, Swisher warned about putting all one's eggs in one basket since Australian tallow exports to Singapore nearly dried up in mid-2014 as Neste switched feedstock to palm oil. Australian tallow is flowing once again although at a much lower rate than previously.

"No one customer should exceed 20 percent of a company's business," he stated, citing *Forbes* magazine. For years, US tallow and other rendered fats have been losing market share worldwide to palm oil and Swisher warned that trend will continue. On the other hand, US biofuels production has provided a new market for rendered fats and oils and helped to stabilize prices. Swisher concluded by showing the financial worth US rendered products provide to the livestock industry: fats and proteins add a drop value of \$33.68 per head of cattle, or more than \$1 billion to annual slaughter, and \$4.24 per hog, or about \$500 million to annual slaughter.

David Meeker, NRA scientific services, acknowledged that "rendering is the basis for sustainability in animal agriculture around the world." He shared a food recovery hierarchy graphic from the Environmental Protection Agency (see chart 1) that shows the third most preferred use for food waste after reduction and feeding hungry people is feeding animals, something the rendering industry already does by recycling meat products not consumed by humans into essential proteins and fats used in livestock feed and pet food. While nearly all by-products from commercial food animal slaughter are currently rendered, only about 70 percent of discarded meat material from butcher shops, grocery stores, and facilities that perform final meat processing is currently collected. This offers an opportunity for these establishments to increase their sustainability by sending all meat by-products to rendering.

Speakers also educated attendees about the value of rendered products in various feedstuffs. Dr. William Dozier, Auburn University, explained that most of the nine billion broilers in the United States are fed a diet that contains animal proteins as they are a good source of digestible amino acids, phosphorus, and metabolizable energy. He also pointed out that for the poultry industry, rendering is two-fold – as a feed ingredient supplier and as a partner in the removal of inedible products not consumed by humans, an important fact most consumers are not aware of.

Chart 1. Food recovery hierarchy



Focusing on pets was Ken Wilson, Simmons Feed Ingredients, who noted that half of all pet food contains animal proteins. He added that rendering's value to the pet food industry includes processing US Department of Agriculture-inspected raw materials, renderers' compliance with various safety and hazard analysis and critical control point programs, and quality, customer-verified products. Wilson confirmed that despite consumer rumblings, pets really want animal by-products, which are basically "another product that is as good as the original product." The challenge will be educating consumers about by-products with a positive message.

"We make great, valuable, highly nutritional products," he declared. "Don't be afraid of our [rendering's] story. Tell it!"

Dr. Jesse Trushenski, Southern Illinois University, highlighted the results of recent research using rendered products in aquaculture feed. She warned that the world will need 60 percent more food by 2050, and 60 percent more animal proteins by 2030, a demand aquaculture will help fill. Half of all seafood is currently farm raised and that will only increase due to fish in the oceans being mostly exploited or in decline. That translates to producers needing more feed and with fish meal being less available and more costly each year, aquaculture farmers are turning to alternatives. Trushenski stated that fish have high protein demands and require amino acids so animal proteins and fats are a good source in feed formulations. She explained that fish are what they eat so feed must contain proteins that help ensure fish continue to provide their healthy omega-3 benefits, something Trushenski's studies have shown rendered fats help do better than plant oils.

"Aquaculture has to produce more fish, it has to produce more feed, and it needs help from the rendering industry," she announced.

Other educational seminars throughout the three-day expo focused on FSMA, feed exports, sustainability, poultry health, and a multitude of other meat and feed topics. One conference that kicked off the week focused on pet food and provided Meeker and Starkey an opportunity to highlight the importance of research in the rendering industry. Projects not only demonstrate the benefits of feeding animal proteins and fats to dogs and cats but also how the rendering process

ensures the end product is safe from pathogens for not only pets, but also the consumers who handle their food.

Svetlana Uduslivaia, Euromonitor International, showed that global pet ownership growth was about three percent in 2014, primarily dogs and cats, with double-digit growth in Latin America. She noted that although Brazil is a difficult market to enter for pet food, pet ownership is growing and there is also plenty of untapped potential in Russia. In North America, premium pet food is leading the way and local sourcing (i.e., made in the United States or Canada) continues to gain strength. Uduslivaia pointed out that consumer-known ingredient sources are gaining greater importance, mirroring human food trends, and consumers are leaning toward "safe" and "free from" products.

AFIA's Gina Tumbarello presented statistics showing that US exports of pet food in 2014 were down, but the value continues to remain high. The top three markets are Canada, which takes 38 percent of US exports; Japan, 15 percent of exports, down from previous years as Thailand is moving in; and Mexico, 7 percent of total exports, also down due to a 16 percent luxury tax placed on pet foods in December 2013. On a world scale, France was the leading dog and cat food exporter in 2013 followed by the United States and Germany.

Tumbarello discussed Canada's new finished pet food import policy due to take effect April 15, 2015, which requires the export country's competent authority to issue export permits instead of the Canadian Food Inspection Agency supplying import permits. AFIA is unclear exactly what the requirements of the new policy are and is asking for an extension of the implementation date. About \$615 million in trade is at risk.

Other speakers focused on pet food sustainability, where Dr. Kelly Swanson, University of Illinois, affirmed rendered products as very important for pet foods. FDA's Dr. Dan McChesney reported that comments received on the revised proposed FSMA rule for animal food in December 2014 focused on improving the good manufacturing practices spelled out and rewording some terminology used. He said FDA is on track to have a final animal food rule out by the end of August. **R**



Pablo Leyton (*right*), Salmofood SA in Chile, discusses animal proteins with German Davalos, National Renderers Association, at the rendering symposium.

# Industry Responds to Revised Feed Rule

The National Renderers Association (NRA) has filed official comments to the Food and Drug Administration's (FDA's) supplemental rule, Current Good Manufacturing Practice and Hazard Analysis and Risk-Based Preventive Controls for Food for Animals, published September 29, 2014. The first draft of the proposed rule was published on October 29, 2013, as part of the implementation of the Food Safety Modernization Act (FSMA) passed by Congress in late 2010. NRA commented on that proposed rule in March 2014.

The supplemental rule published in September contained many changes that NRA and its allies suggested in the first set of comments, yet industry members believe some fine-tuning is still needed to make the regulation practical and cost-effective. Once again, the food and feed industries are in agreement with all major points concerning FSMA, providing a united front that will hopefully be heard by FDA in getting improvements in the rule before it becomes final in late summer 2015.

NRA's Feed Regulation Committee, chaired by J. J. Smith, Valley Proteins, oversaw writing of the comments with several NRA members providing detailed feedback. Considerable input was also obtained from allies such as the Grocery Manufacturers Association, American Feed Industry Association, Pet Food Institute, and others. NRA's comments are consistent with its allies, but parts are unique to rendering

and offer additional details important to the industry. Congress has defined animal feed as "food" and FDA uses the term "food" throughout the proposed rules for animal feed. Allied animal industries have collectively decided to use the term "animal food" throughout comments to emphasize differences with human food.

NRA remains optimistic that FDA's intention is to continue to work with the industry to make the regulation practical, that they will cooperate for a smooth implementation, and that the updated *North American Rendering Industry Code of Practice* audit program coming out this year will prepare plants to be in compliance by the deadline of August 2016.

The redrafted rule is more practical yet still adds unnecessary regulatory burdens and costs with little animal food safety benefit. The supplemental rule still contains many human food references and expectations that are more stringent than necessary for animal food safety. NRA believes the final rule needs to be clearly written and not cumbersome, prescriptive, and costly. Successful industry animal food safety programs such as the rendering code of practice should not be disrupted.

FDA specifically asked for comments on product testing, environmental monitoring, supplier controls, and economically-motivated adulteration. NRA's major points on these topics are as follows:



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### Product Testing

- Product testing should not be considered a control measure.
- Product testing programs are constrained by statistical limitations with results often not available until several days after the sample was collected.
- Routine testing is of limited value when other verification data indicates a process is under control.
- A facility should be responsible for determining the appropriate scope and extent of testing needed to verify preventive controls are functioning properly.

### Environmental Monitoring

- If an environmental pathogen is identified as a significant hazard in a facility, control of this hazard should be established.
- Environmental testing would be of less value in plants where the presence of some levels of pathogens is normally expected and not necessarily a problem for animal food ingredient safety.
- The costs to rendering companies to do unnecessary environmental sampling to the extent required in ready-to-eat human food plants would be extremely high and the testing would not improve animal food safety.

### Supplier Controls

- A supplier approval and verification program may not be applicable in all situations. Renderers use truck driver checklists, investigations of unusual raw material variation, warning placards on collection containers, contract language, letters, and supplier affidavits of compliance to identify and avoid significant hazards.
- The regulation must provide alternatives to mandatory supplier audits.
- Reasonable ways to mitigate risk from raw materials, as well as certification via industry programs, should be accepted in addition to supplier verification.

### Economically-motivated Adulteration

- No plant can successfully predict or protect from all possible intentional adulterants.
- Such adulterants generally impact quality and perceived value rather than safety.
- FSMA did not require FDA to consider this area in rulemaking and it should not be included in the proposed rule.

### Points Specific to Rendering

Even though FDA indicated other parts of NRA's original comments submitted in March 2014 are still under consideration, the association reiterated some additional points important to the rendering industry.

- The definition of the term "significant hazard" should include some way to distinguish the significant hazards from the list of all possible hazards.
- Decomposition should not be assumed to be a significant hazard. Many products utilized within the animal food industry have begun decomposing and are processed in a control system to halt decomposition before harmful toxins are formed.
- Cleaning and sanitizing procedures and standards are much different in animal feed and feed ingredients destined for further processing (as in pet food) than for human food.
- FDA needs to clarify that cleaning should be required only when appropriate to the process and use of product, and to address specifically known industry hazards.
- FDA should accept and encourage electronic records and avoid redundant additional paper records requirements. Records should be made available to FDA investigators and/or auditors onsite, but not sent to FDA.
- Facilities should prevent contamination and blanket rules, such as overall use of food-grade lubricants throughout a rendering plant, which are not necessary.
- Proposed rules for equipment and utensils could imply the unnecessary use of stainless steel throughout the processing areas of an animal feed or ingredient plant.
- If refrigeration for rendering raw material is required, it would necessitate very expensive new equipment and trucks yet not make animal food safer.
- Rules on bulk animal food cross-contamination prevention are too similar to those for human food. Avoiding small amounts of carryover where there is no animal food safety risk would be an unnecessary expense.

NRA and the rendering industry are fully supportive of scientifically defensible and reasonable efforts to improve animal food safety. It is very important that limited government and industry resources be directed to mitigate actual risk from real hazards so efforts and money are not wasted.

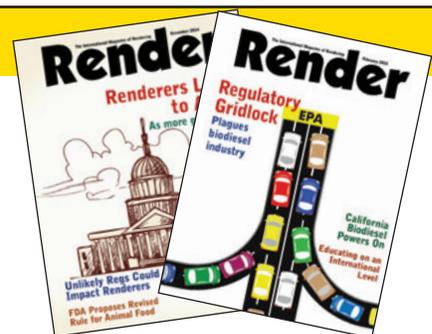
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## US Biofuel Payments See Considerable Drop

The United States Department of Agriculture (USDA) awarded \$5.6 million in grants for fiscal year (FY) 2014 to 220 producers across the country to support the production of advanced biofuels. The funding was provided through USDA's Advanced Biofuel Payment Program, which was established in the 2008 farm bill and makes payments to eligible producers based on the amount of advanced biofuel produced from renewable biomass, other than corn kernel starch. Eligible feedstocks include vegetable oil, animal fat, and animal, food, and yard waste.

However, FY 2014 awards are significantly lower than the previous year's when nearly \$60 million in payments went to 195 producers, indicating the vast drop in biofuels production last year due to the lack of a tax credit and Renewable Fuel Standard mandate. In FY 2013, 10 of the payments for more than \$1 million went to biodiesel producers for a total of \$40 million. Among the largest grant recipients, Deerfield Energy LLC in Missouri received \$5.8 million for FY 2013 production compared to just \$143,374 for 2014. Other large grant recipients in 2013 that received substantially less amounts for FY 2014 are as follows:

- RBF Port Neches LLC in Texas, \$5.6 million in 2013 and \$217,849 for 2014
- Mid-America Biofuels LLC in Missouri, \$5.4 million in 2013 and \$164,618 for 2014
- High Plains Bioenergy LLC in Oklahoma, \$4.2 million in 2013 and \$115,815 for 2014
- Paseo Cargill Energy LLC in Missouri, \$4.1 million in 2013 and \$200,829 for 2014
- Ag Processing Inc. in Nebraska, \$3.8 million in 2013 and \$388,036 for 2014
- Louis Dreyfus Agricultural Industries in Indiana, \$3.7 million in 2013 and \$342,800 for 2014

For FY 2014, the largest biodiesel grant was \$594,293 to Renewable Energy Group Inc. in Iowa, who received \$488,475 in FY 2013. Diamond Green Diesel, a renewable diesel producer in Louisiana, was awarded \$352,362 last year for what USDA refers to as "biodiesel mechanical."

USDA's National Institute of Food and Agriculture also awarded FY 2014 grants from three other bioenergy programs. The National Biodiesel Board and Regents of the University of Idaho received \$768,000 and \$192,000, respectively, through the Biodiesel Fuel Education Program established to stimulate biodiesel consumption and the development of a biodiesel infrastructure. South Dakota State University received \$2.3 million through the Sun Grant Program that encourages bioenergy and biomass research collaboration between government agencies, land-grant colleges and universities, and the private sector. Through the Critical Agricultural Materials program, Iowa State University of Science and Technology received \$1 million for the development of new paint, coating, and adhesive products that are derived from acrylated glycerol, which is a co-product of the biodiesel industry.

## ASTM Supports Increased Biodiesel in Heating Oil

ASTM International has approved performance specifications for blends of six to 20 percent biodiesel with traditional heating oil. The updated ASTM D396 Standard Specification for Fuel Oils containing the new grade for blends of six to 20 percent biodiesel was expected to be finalized and published for public use by February 2015. The mixture of biodiesel and heating oil is marketed as Bioheat fuel, a registered trademark.

According to Paul Nazzaro, who leads the National Biodiesel Board's (NBB's) Bioheat outreach program, a 20 percent blend of biodiesel puts Bioheat on par with natural gas, the biggest competitor to oil heat. Higher biodiesel levels up to 100 percent could reduce the carbon footprint of Bioheat up to 80 percent compared to traditional fuel oil.

ASTM International's passage of five percent biodiesel into the No. 1 and No. 2 grades of ASTM D396 occurred in 2008. During the last six years, the Bioheat Technical Steering Committee, comprised of industry technical experts and led by National Oilheat Research Alliance and NBB, developed a tremendous amount of data that ultimately led to the approval of the increased blend percentages.

## Boeing Conducts World's First Flight with "Green Diesel"

Boeing has successfully completed the world's first flight using "green diesel," a sustainable biofuel made from vegetable oils, used cooking oil, and animal fats. The company powered its ecoDemonstrator 787 flight test airplane with a blend of 15 percent green diesel and 85 percent petroleum jet fuel in the left engine. Boeing previously found that this fuel is chemically similar to hydro-processed esters and fatty acids aviation biofuel approved in 2011. Green diesel is chemically distinct and a different fuel than biodiesel.

With production capacity of 800 million gallons in the United States (US), Europe, and Asia, green diesel could rapidly supply as much as one percent of global jet fuel demand, according to Boeing. With a wholesale cost of about \$3 per gallon, inclusive of US government incentives, green diesel approaches price parity with petroleum jet fuel.

On a lifecycle basis, sustainably produced green diesel reduces carbon emissions by 50 to 90 percent compared to fossil fuel, according to Finland-based Neste Oil, which supplied the fuel for the flight. Green diesel is among more than 25 new technologies being tested by Boeing's program, which accelerates the testing, refinement, and use of new technologies and methods that can improve aviation's environmental performance.

## Pacific Biodiesel New Supplier for Hawaiian Electric

Hawaiian Electric and Pacific Biodiesel Technologies have signed a contract for the Maui-based biofuel company to supply biodiesel processed from used cooking oil and other local feedstocks primarily for use at the 110-megawatt Campbell Industrial Park generation facility with the capability for use at other Oahu power plants as needed.

The two-year contract for a minimum of two million and up to three million gallons per year will take effect in November 2015, subject to review and approval by the Hawaii Public Utilities Commission. Pacific Biodiesel is currently under contract to supply biodiesel for the State of Hawaii-owned Honolulu Airport Emergency Generation Facility scheduled to be in service by mid-2015. That 10-megawatt facility will provide electricity to Hawaiian Electric's grid to supply all Oahu customers under normal operations with the ability to isolate itself from the grid to power only the vital needs of the Honolulu International Airport in an emergency.

The Campbell Industrial Park plant now uses biodiesel processed from waste fats and oils by Iowa-based Renewable Energy Group Inc. under a contract that ends in November.

"This new contract accomplishes our goal of using locally produced biofuel to the greatest extent possible," said Alan Oshima, Hawaiian Electric president and chief executive officer. "Biodiesel for the Campbell Industrial Park plant will come from Pacific Biodiesel's recently commissioned Hawaii Island refinery at a lower price than we now pay for mainland supplied biodiesel."

## EPA Streamlines Biodiesel Imports from Argentina

Over industry objections, the Environmental Protection Agency (EPA) has approved an alternative tracking program used by renewable fuel producers in Argentina who want to export to the United States under the Renewable Fuel Standard (RFS). According to the National Biodiesel Board (NBB), EPA's decision allows Argentinian biodiesel producers to use a survey plan for certifying feedstocks used – in this case, soybean oil – that come from qualified land. NBB stated the change lets the foreign producer use an independent third party to survey their feedstock suppliers, is less stringent than the current map and track requirement, and is more difficult to verify.

NBB estimates that up to 600 million gallons of biodiesel could enter the United States from Argentina as a result of the program change. Argentina would be the first country to use a survey approach under the RFS. Canada and the United States operate under an aggregate approach in which feedstock is approved so long as the aggregate amount of agriculture land in each country does not increase.

## REG Expands into Europe

Renewable Energy Group (REG) Inc., headquartered in Ames, Iowa, has acquired majority equity ownership in German biodiesel producer Petrotec AG from IC Green (ICG) Energy Ltd., Israel Corporation's vehicle for investing

*Continued on page 31*



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## Strategizing for the Future

Yogi Berra is not only a famous American baseball legend, he is also famously quotable. One of his catchy quotes, “If you don’t know where you’re going, you’ll wind up somewhere else,” captures much of the National Renderers Association’s (NRA’s) focus early in this new year.

With many changes happening in the North American rendering industry, among rendering customers, and with federal regulations and legislation, the NRA Board of Directors decided to gather together some of the brightest minds in the industry to look ahead at what the association’s priorities should be over the next five years. Specifically, they will develop a new five-year strategic plan for the organization.

Much is changing in agriculture, technology, and the marketplace. NRA must be ready to wisely use its limited resources to address the top challenges and opportunities facing the industry over the next several years.

In early winter, NRA members were asked for their opinions on five provocative questions to gather thoughts on future challenges and opportunities facing the rendering industry. These insights will help drive creation of the association’s new strategic plan. The five questions are deceptively short, but the thoughtful answers received are not.

Consider how you would answer these five questions:

1. What are the present or emerging challenges (circumstances decreasing likelihood of success) facing NRA in the next five years?
2. What are the present or emerging opportunities (circumstances increasing the likelihood of success) facing NRA in the next five years?
3. What are the critical capabilities (resources) NRA will need to address these key issues during the next five years?
4. What are the mission-critical roles (key interactions) NRA plays in your business today?
5. How do you see that role shifting during the next five years?

Industry challenges identified so far include the location and volume of the future United States raw material stream, succession within companies, attracting new talent, management of millennials (ages 15-33), industry consolidation, and frustration with increasing regulations that are impractical or do not achieve their intended goal (such as safety) but add to the cost of doing business.

An opportunity that members see is for the North American rendering industry to tell its powerful and positive story more boldly in the future. This can position the industry well with future customers and policymakers by helping them understand rendering’s “green” contribution and the vital role it plays in the food chain.

For example, remember that renderers collect 56 billion pounds of raw materials every year in the United States and Canada. If all renderable products were sent to landfills, all available space would be used in four years.

Rendering is truly recycling. Carbon- and nitrogen-rich materials are recycled into usable products such as pet and livestock feed, biofuel, fertilizer, soaps, lubricants, detergents, and more. Rendering also reduces greenhouse gases (GHG). Carbon dioxide, methane, and other GHG emissions from natural decomposition like in a compost pile or landfill are avoided. Rendering animal tissues has the same impact on GHG emissions as taking over 12 million cars off the road.

During NRA’s strategic planning this winter, important stakeholders such as upstream and downstream customers and suppliers are also providing their opinions. With input from NRA members and these stakeholders, the association will develop a 360-degree scan of the environment the industry can expect to operate in over the next five years.

Leading NRA’s effort is a new Strategic Planning Task Force of industry leaders. They are evaluating the important input from members and stakeholders. The task force is using this critical information, combined with their personal insights, to develop a draft strategic plan for the NRA leadership to consider at its spring meeting in late April.

Members of the Strategic Planning Task Force are Tim Guzek, Sanimax, chairman; Duane Anderson, Farmers Union Industries LLC; Andy Andreoli, Baker Commodities Inc.; Ridley Bestwick, West Coast Reduction Ltd.; Kim Broekemeier, Tyson Foods Inc.; Tim Carlson, Hormel Foods LLC; Michael Glenn, BHT ReSources; Ross Hamilton, Darling Ingredients Inc.; Michael Koewler, SRC Companies; Doyle Leefers, National Beef Packing LLC; Terry Pfannenstiel, Kruger Commodities; J.J. Smith, Valley Proteins Inc.; and Gus Wintzer, Wintzer & Son Co.

If you are an NRA member and missed the opportunity to share your insights, please let any member of the task force or me know. Importantly, you can help drive the direction of your association.

Two things are clear today. First, we must all work together for the common good to continue to strengthen NRA’s effectiveness as the voice for the North American rendering industry. Divided, we cannot succeed.

Second, if you believe, as I do, that NRA brings value to the industry, remember that dues are the single most important source of revenue for the association to do its job. We thank those who are already members.

If you are not yet an NRA member, I urge you to join. Renderers as well as those supplying and associated with the industry are welcome. Membership opens the door to new information, offers a voice on proposed regulations, gives access to staff expertise to help solve a problem, and provides networking opportunities with peers at meetings and NRA’s annual convention. Membership also supports the future of your business and the industry. NRA is the place to belong if you are in the rendering business.

With the benefit of long-term strategic planning, NRA will ensure it is even stronger in the future to defend and promote the North American rendering industry. **R**

# Industry Mourns a Leader

The rendering industry has lost an individual who was instrumental during the difficult times of bovine spongiform encephalopathy (BSE). Dr. Don Franco passed away January 31, 2015, at his home in Florida after a battle with stomach cancer. He was 83.

Franco served as vice president of scientific services at the National Renderers Association (NRA) and as president of the Animal Protein Producers Industry for 11 years from January 1992 until December 2002. He was one of two editors of *The Original Recyclers* in 1996, and a contributing author to *Essential Rendering* in 2006, both published by NRA. He was also a regular contributor to *Render* magazine during his time at NRA and for several years after.

Franco helped the North American rendering industry navigate the regulatory hurdles in the 1990s following the BSE crisis in the United Kingdom. He passionately educated government regulators and users of rendered products on the complicated nuances of the BSE prion and the safety of the United States and Canadian rendering processes in preventing the disease from occurring in North America.

Prior to NRA, Franco served as director of slaughter operations for the United States Department of Agriculture's Food Safety and Inspection Services, during which time he was elected president of the National Association of Federal Veterinarians. He began his career as a veterinarian in his birth country of Trinidad and held a master's of public health degree from Emory University in Atlanta, Georgia, and a doctorate in



Bette and Don Franco at his NRA retirement in 2002.

veterinary medicine from the University of Philippines.

Franco was highly respected and cared deeply about the rendering industry and the difficulties of poverty in third-world countries. Besides the books on the rendering industry, he authored many others, from veterinary and animal pathology textbooks to publications on the plight of poverty and public health needs in third-world countries.

Franco is survived by his wife of 54 years, Bette, three children, and nine grandchildren. Donations may be made to The Diocese of Buea, Father Wilfred Emeh, Our Lady of Sorrows Catholic Church, 1728 Oxmoor Rd., Birmingham, AL 35209.R

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## Resolving to be Globally Stronger

After finishing a challenging 2014 for the World Renderers Organization (WRO), it is important to share what the group is proposing to accomplish this year. As we know, renderers worldwide are always working, looking for more and better quality raw material and higher prices for their end products, and, from time to time, concerned about legislative issues. That means there is not much time left for making resolutions on a whole year of WRO actions, so below is a brief reminder of what WRO accomplished over the past year.

The intention here is to review activities, share the WRO leadership's thoughts on what is next for 2015, and, if we are lucky, receive comments back. That is how WRO would like to maintain its channel of communication with the industry and its members, always bi-directional. So, during 2014, WRO President Steve Woodgate wrote a lot, sometimes joking if he might become a writer soon. In each of his articles, he deployed a series of criteria under which WRO needed to perform better and the standards of assessment to return satisfactory results.

The major objectives for WRO in 2014 were to

- increase the number of country and allied supporting members;
- increase the number of collaborating non-governmental organizations;
- improve the influence of renderers on public opinion on rendered products' safe use; and
- assist in the research on biosecurity as part of the feed and food chain.

WRO is pleased to announce that all these objectives were met in 2014, which encourages the leadership to do even better in 2015.

Last year, WRO became stronger thanks to the participation of more countries and the initiation of involvement by allied members. Yet, when examining the five regions of the world as defined by the Food and Agriculture Organization, there is still enormous opportunity for WRO to represent more countries.

Integration as a commitment on action to produce better results has never had such a bigger relevance for WRO. As renderers from other latitudes of the world are approached, such as China and Japan, we realize that it is invaluable to have them on board. It is the same story with India. Still, at the beginning of 2015, large rendering countries like Russia and Saudi Arabia or those well-known such as Hungary and Romania are not yet WRO members.

Every culture has the same fundamental issues around rendering, the same framework provided by the World Organization for Animal Health, or OIE, but different markets, equipment, and legislation on a domestic basis on specific topics. All this diversity must be understood if WRO wants to represent renderers worldwide as one voice before other non-governmental organizations.

As previously announced in this column (October 2014

*Render*), Dr. Martin Alm, technical director for the European Fat Processors and Renderers Association (EFPRA) and member of the WRO scientific advisory panel, is leading an effort to understand and compare regulatory standards and conditions in every member country using the interpretation of OIE standards. Parallel to this effort, Dr. Lucas Cypriano, technical director at the Associacao Brasileira de Reciclagem Animal (ABRA) in Brazil and also a member of the WRO scientific advisory panel, will define better practices for removing contaminants from raw materials. Both endeavors serve to build international recommendations for renderers.

If the rendering industry wants to communicate to the general public that rendered products are safe and better in nutritional content than other feed ingredients, efforts need to be coordinated globally. Other than just influencing legislation, WRO needs to influence renderers, their practices, and their minds. In each country there is a need and opportunity to leverage the industry performance under hazard analysis and critical control points and good manufacturing practices. This will help build trust with customers and retailers, enabling the industry to show how renderers are taking care of their concerns and looking forward to a safe food chain. WRO has done significant outreach with the use of this column, its website, and the quarterly publication *World Render Outlook*, which is circulated to members and colleagues within the global allied animal livestock industries.

Renderers must be recognized as a well-coordinated and responsible industry, producing sustainable, nutritionally valuable products and helping to maintain a greener world. In regions where WRO has been working, like North America, Latin America, Europe, and Asia, the perception of this global integration effort has become well accepted and is being promoted. In these cases, the biggest production countries are represented in WRO.

One of the most important efforts the organization is making is in Latin America. WRO is striving to welcome all Latin American countries as members, although the largest volume is well represented by Brazil, Argentina, and Mexico. Still, there are several countries that we will be working with during this year hoping they join WRO soon.

Brazil, Argentina, Mexico, and Venezuela have strong relationships by which WRO has also been strengthened. These countries are working to integrate better and participate in this new global rendering network. They are adopting WRO manuals and adapting their operations to leverage their presence.

During 2015, WRO will participate in congresses all over the world: in Krakow, Poland, during the EFPRA meeting; in Brazil during SINCOBESP and ABRA meetings; in Argentina at the Argentinian renderers congress; at the Australian Renderers Association symposium in Australia; and at the National Renderers Association convention in the United States. A network has been developed within WRO to allow this

capacity of involvement, which hopefully will build closer relationships.

All these meetings are relevant for nutritionists, feed manufacturers, legislators, and equipment manufacturers. There are always opportunities in attending so renderers from around the world are encouraged to join the WRO meeting held at each congress. Detailed information on WRO activities within these events will be published in the future.

For readers in other Latin American countries that are not yet WRO members,

you are encouraged to participate and be part of this global effort. Less-developed countries could possibly learn from the experiences of more developed ones as current concerns may have already been solved by renderers in a different region. WRO provides the opportunity to convey information from one latitude to another as a medium of assistance. We look for your participation soon.

For anyone interested in learning more about WRO, contact us through the website at [www.worldrenderers.org](http://www.worldrenderers.org). We would be happy to get in touch. **R**

## Letters

Dear Editor,

I have just received and read the December 2014 issue of *Render*. It is impossible for "old timers" like me not to philosophically relate to Uncle Frank's [Burnham] *Rendering: The Invisible Industry* book and try to put it in current context. The industry has been through some interesting transitions – from a proposed zero *Salmonella* policy to all the circumstantial nuances of bovine spongiform encephalopathy. The aforementioned impacted the rendering industry in many ways, but I was always confident that after those "storms," our industry would emerge stronger and better prepared to face future challenges, some still in existence.

*Render* has done a good job in this latest issue to project this. Steve Kopperud's column on the coming Republican rule of Congress [View from Washington] provides insight of political change that could influence the industry's future. Ross Hamilton's overview of the future [From the Association], your perception of adaptation [Rendertorial], and David Kirstein's highlight of research direction ["Research Group Returning a Good Value"] brings the diversity that has become central to the magazine's broad coverage as the global voice of the rendering industry.

Keep up the good work.

Dr. Don Franco

Royal Palm Beach, Florida

*Editor's note - Render received this complimentary e-mail from Dr. Franco in mid-December. Sadly, he passed away on January 31, 2015. More on his involvement with the rendering industry can be found on page 23. The following is this editor's reply to Don upon receiving his e-mail.*

Ah, Don, my friend, you are too kind as always, thank you! As they say, "It takes a village to raise a child," it too takes a village to raise awareness and we couldn't put out such a fine publication as *Render* without the immense support and contribution of the National Renderers Association staff and industry members themselves. Thank you all!

**R**

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## Renderable Gloves Prevent Contamination

In 2011, Fats and Proteins Research Foundation (FPRF) members asked the Clemson University Animal Co-Products Research and Education Center (ACREC) to solve a major processing dilemma for the rendering industry: contamination of animal by-products from inadvertent addition of polyethylene bags. Polyethylene films clog and damage processing equipment and molten polyethylene can downgrade animal fat quality. Upon re-solidification, polyethylene can damage pumps. Dr. R. Andrew Hurley, assistant professor in the Clemson University Department of Food, Nutrition, and Packaging Sciences and a member of the ACREC research team, conducted a study for the industry and after investigating 70 polymers, identified a biodegradable thermoplastic polymer made from corn known as Mater-Bi. This polymer is a natural, edible product from the Italian company Novamont. It is made from a by-product of the biorefinery process and is comprised of corn starch, cellulose, glycerin, and natural fillers. Mater-Bi is approved by the Food and Drug Administration for food contact.

Using this polymer, Hurley set up a manufacturing process with a United States-based bag maker and tested these in a distribution laboratory and in a small-scale rendering plant trial. Through these studies, Hurley validated that the biodegradable corn starch-based polymer did disintegrate during the rendering process and did not contaminate finished products. There was no increase in the polyethylene count in the finished fats, no clogging of screens and augers, and no contamination of crax. Thereafter, Hurley distributed 24,000 material bin liners to store clients of four rendering facilities in four different geographic locations in the United States. Results of surveys from clients and rendering truck drivers indicated the biodegradable liners performed better than the standard polyethylene liners. In addition, no bag residue was visually identified in rendered products and there was no increase in the polyethylene count in the finished fats, no clogging of screens and augers, and no contamination of crax.

Building on the success of the biodegradable bag liner study, Hurley was asked to develop gloves for use in meat and poultry processing facilities. Traditional gloves often are discarded in raw material bins and separation is difficult or impossible. After rendering, highly colored plastic particles derived from used gloves can be a concern in finished meals and especially for products destined for pet foods. Therefore, Hurley set out to create gloves from the Mater-Bi polymer, soon learning that glove-making is a unique business with the vast majority of single-use gloves made in Asia. However, one of the FPRF member representatives to the ACREC Research Committee requested that the gloves produced in this project be made in North America. Therefore, Hurley found a way to manufacture the test gloves in North America by partnering with a local glove manufacturer.

Gloves for use in meat and poultry processing facilities are manufactured by either the dip method, in which a hand



Dr. Andrew Hurley and his renderable glove.

former is dipped into a polymer solution, or via seaming together film sheet material. Because of the nature of the Mater-Bi polymer, gloves had to be made by a heat-sealed seaming method. A chosen glove company's North American research and development team and manufacturing facility invested many hours configuring the Mater-Bi substrate to run on the glove manufacturing machinery and produce reliable gloves with no leaks or other manufacturing defects. Hurley worked with the manufacturer to develop a glove with an opposable thumb that could be produced in three thicknesses, 1.5 mil, 3.0 mil, and 6.0 mil. He had different sizes made, including sizes that could be put over other layers of gloves.

To produce the gloves for testing, Hurley had the raw Mater-Bi polymer shipped from the manufacturer in Italy to a company in California to be converted into roll stock sheet form. The large rolls of material were then shipped to the glove company's manufacturing facility for conversion into gloves. The finished gloves were shipped to Hurley in Clemson, South Carolina, where, through preliminary testing, he determined the 3.0 mil thickness gloves to be optimum with no ripping or tearing during use so they were made in three different sizes – 9, 10, and 12. The gloves had excellent chemical resistance properties and worked well in real world trials in four poultry processing facilities in Florida. Survey results from the poultry processing facility were positive. During the trial, 750 gloves were deposited in the raw offal material for rendering. Hurley's last trial was conducted over the 2014 holiday season when various poultry processing facilities in the Southeast utilized the gloves. Survey results are equal to or better than the gloves currently utilized at these facilities.

Hurley has prepared ordering information for manufacture of the gloves and will provide this to the rendering industry for its use in purchasing gloves. He will be completing the

study and submitting a final report in spring 2015. Replacing standard gloves with gloves made from the Mater-Bi biodegradable polymer will benefit the rendering industry and allow production of higher-quality rendered products without the hazard of plastic polymer fragments in finished animal fats and proteins. With the completion of this project, Hurley has answered another challenge set forth by the rendering industry. **R**

## Mark Your Calendar

### February

#### **Aquaculture America 2015**

February 19-22, New Orleans, LA  
www.was.org

#### **Pacific Coast Renderers Association 83rd Annual Convention**

February 27-28, Monterey, CA  
Email caitosf@mcn.org

### March

#### **World Bio Markets Conference**

March 2-3, Amsterdam, the Netherlands  
www.worldbiomarkets.com

#### **Asociación Latinoamericana de Plantas de Rendimiento (ALAPRE, Latin American renderers association) Third International Congress**

March 4-7, Cancun, Mexico  
www.alapre.org

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March 15-17, San Antonio, TX  
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### April

#### **National Renderers Association Spring Meeting**

April 21-23, Chicago, IL  
www.nationalrenderers.org

#### **Petfood Forum USA**

April 27-29, Kansas City, MO  
www.petfoodforumevents.com

#### **17th Annual International Aboveground Storage Tank Conference and Trade Show**

April 27-29, Orlando, FL  
www.nistm.org

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#### **106th American Oil Chemists' Society Annual Meeting**

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www.annualmeeting.aocs.org

#### **Animal Agriculture Alliance Stakeholder Summit**

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www.animalagalliance.org

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# Coping with Mandatory Sick Leave Policies

*Editor's note – Richard D. Alaniz is senior partner at Alaniz, Schraeder, Linker, Farris & Mayes LLP, a national labor and employment firm based in Houston, TX. He has been at the forefront of labor and employment law for over 30 years, including stints with the United States Department of Labor and the National Labor Relations Board. Legal topics provide general information, not specific legal advice. Individual circumstances may limit or modify this information.*

When California Governor Jerry Brown recently signed legislation requiring paid sick days for millions of workers across the state, he declared it a victory for employees.

“Whether you’re a dishwasher in San Diego or a store clerk in Oakland, this bill frees you of having to choose between your family’s health and your job,” said Brown at the time of the September 2014 signing. “Make no mistake, California is putting its workers first.”

Under the Healthy Workplaces, Healthy Families Act of 2014, beginning July 1, 2015, California employers will be required to provide paid sick leave to employees who work 30 or more days within a year from the start of employment. Employers can cap the amount of paid sick leave in any given year to three days.

With the new law, California joins Connecticut among states that require employers to offer workers paid sick leave. Along with paid leave, many employers are also subject to federal laws that allow for unpaid time off to deal with family and medical issues.

Along with federal laws that control unpaid time off and absences, companies must prepare for how actual and potential requirements for paid sick leave will impact their operations. For employers, the requirement for paid sick leave will add extra layers of cost, recordkeeping, and staffing. The burdens of mandated sick leave can hit small businesses particularly hard, especially those with small profit margins and part-time and seasonal employees.

## Other Leave Requirements

While no national laws require paid sick leave, other regulations mandate unpaid time off in many circumstances, including the Family and Medical Leave Act (FMLA). Among the many FMLA provisions employers must grapple with are “intermittent and reduced schedule” leave. Under this type of leave, employees can take their leave on an intermittent basis or work a reduced schedule under certain circumstances. According to the United States (US) Department of Labor, an intermittent/reduced schedule leave may be taken when medically necessary to care for a seriously ill family member or because of the employee’s serious health condition.

Along with FMLA, companies must also factor in the Americans with Disabilities Act (ADA) when considering time-off policies. The Equal Employment Opportunity Commission (EEOC) is taking an increasingly hard look at employers that

require “no-fault” attendance policies that do not factor in employees who need time off to cope with their disabilities.

## Preparing for Paid and Unpaid Leave

As more states and cities consider requiring paid sick leave, and as federal agencies crack down on companies they deem in violation of federal laws around unpaid leave, employers need to prepare for increased enforcement and new regulations.

- Stay up-to-date on potential changes to legislation. Proponents of paid sick leave may try to use the new California law to expand into other cities and states. Employers who currently do not operate in cities and states with paid sick leave should carefully track any legislation that could impact operations. Consult closely with human resources, in-house legal departments, and outside counsel to stay on top of new developments. Local and national business groups can also be excellent sources of information and advocacy on these types of movements.
- Review current policies to make sure they are compliant. For employers in California and other locations that are now requiring paid sick leave, companies may face tremendous burdens when it comes to compliance with the new law. For example, employers must make sure they have recordkeeping policies in place to accurately document who is eligible for time off and who has taken days off. Payroll systems will need to be updated to add in all employees who will now get paid sick leave. In light of the aggressive enforcement approaches by EEOC, companies should also take the opportunity to review their time-off policies under FMLA and ADA.
- Update training manuals and processes. If policies need to change based on new laws or regulatory focuses, managers and supervisors should receive training on how to respond appropriately. Employees will also need to be updated on their new rights. The company should work closely with their attorneys to make sure changes are relevant, legal, and effective.
- Review budgets and staffing. Any changes to leave policies could have a dramatic impact on how companies keep operations running when workers call in sick. By planning ahead, employers may be able to blunt some of the impact of these changes.

Companies across the country are facing new burdens imposed by lawmakers and regulators. For many companies, paid and unpaid time off is becoming an increasingly important consideration. Employers can minimize risk and cost by planning ahead, understanding their obligations, and working with the experts, both internal and external, who can guide them through the process. **R**

# Employers Can't Reimburse Health Insurance Premiums

By Ken Kessler, HUB International Ltd.

Due to the rising costs of health care coverage in the United States, employers have shown interest in helping employees pay for individual health insurance policies instead of offering an employer-sponsored plan. In response, on November 6, 2014, the Departments of Labor, Health and Human Services, and the Treasury issued frequently asked questions (FAQs) guidance clarifying that these arrangements do not comply with the Affordable Care Act's (ACA's) market reforms and may subject employers to penalties. Although it was widely believed that these penalties would apply only to pre-tax arrangements, the FAQs clarify that after-tax reimbursements and cash compensation for individual premiums also do not comply with the ACA's market reforms and may trigger the excise tax penalties. This guidance essentially prohibits all employer arrangements that reimburse employees for individual premiums, whether employers treat the money as pre-tax or post-tax for employees.

## Cash Reimbursements

According to the new FAQs, an employer arrangement that provides cash reimbursement for an individual market policy is considered to be part of a plan, fund, or other arrangement established or maintained for the purpose of providing medical care to employees, without regard to whether the employer treats the money as pre-tax or post-tax for the employee. Therefore, the arrangement is group health plan coverage subject to the ACA's market reform provisions. The departments stressed that these employer health care arrangements cannot be integrated with individual market policies to satisfy the ACA's market reforms. As a result, these plans will violate the ACA's market reforms, which can trigger penalties, including excise taxes under Internal Revenue Code (IRC) Section 4980D.

## Employees with High Claims Risk

The FAQs also clarify that an employer cannot offer a choice between enrollment in the standard group health plan or cash only to employees with a

high claims risk. This practice constitutes unlawful discrimination based on one or more health factors, and is in violation of federal nondiscrimination laws. Although employers are permitted to have more favorable rules for eligibility or reduced premiums or contributions based on an adverse health factor (sometimes referred to as benign discrimination), the departments assert that offering cash-or-coverage arrangements only to employees with a high claims risk is not permissible benign discrimination. Accordingly, these arrangements will violate the nondiscrimination provisions, regardless of whether the employer treats the cash as pre-tax or post-tax for the employee, the employer is involved in purchasing or selecting any individual market product, or the employee obtains any individual health insurance.

The departments also specified that the choice between taxable cash and a tax-favored qualified benefit (the election of coverage under the group health plan) is required to be an IRC Section 125 cafeteria plan. Offering this choice to high-risk employees could result in discrimination in favor of highly compensated individuals, in violation of cafeteria plan nondiscrimination rules.

## Section 105 Reimbursement Plans

Certain vendors are marketing products to employers claiming that instead of providing a group health insurance plan, employers can establish an IRC Section 105 reimbursement plan that works with health insurance brokers or agents to help employees select individual insurance policies allowing eligible employees to access subsidies for exchange coverage. The FAQs assert that these arrangements are problematic for several reasons. First, these arrangements are, themselves, group health plans so employees participating in the arrangements are ineligible for exchange subsidies. The mere fact that the employer is not involved with an employee's individual selection or purchase of a health insurance policy does not prevent the arrangement from being a group health plan.

Second, these arrangements are subject to the ACA's market reform provisions, including the annual limit prohibition and preventive care coverage requirement. These employer health care arrangements cannot be integrated with individual market policies to satisfy the market reforms and, therefore, could trigger penalties. **R**

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## Australian Renderers Prepare for Meeting

The Australian Renderers Association (ARA) 13th International Symposium being held July 21-24, 2015, on the Gold Coast in Queensland is regarded worldwide as one of the leading rendering industry conferences. ARA has assembled a program featuring significant industry advances presented by the users and developers of these innovations so attendees are getting the information from the “chef in the kitchen.” A trade exhibit allows direct conversation with suppliers all in one place and a workshop just prior to the conference provides new ideas on rendering plant operations. Along with the educational agenda at the conference are some opportunities to relax and network with colleagues from around the globe.

Attendees’ partners and families will be able to enjoy all the Gold Coast has to offer, from fantastic views on a rainforest skywalk, to galleries, boutiques, gift shops, and an Australian high tea. A complete symposium program is available at [www.arasyposium.com.au](http://www.arasyposium.com.au). A 10 percent early bird discount is provided for registrations made before June 1, 2015.

## Separators Appoints Operations VP

Stephen Dohm has joined Separators Inc. as vice president of operations, overseeing the company’s centrifuge remanufacturing, service, and replacement parts offerings. Previously, he was employed by ITW for more than 20 years in multiple operating and general management roles.

## Sturtevant Welcomes New Product Manager

Sturtevant, a manufacturer of material processing equipment, recently hired Steve Puleo as product manager responsible for business development activities related to the Simpactor, Powderizer, and Infestroyer product lines. Puleo comes to Sturtevant with 18 years of commercial manufacturing experience selling fabricated solutions to the medical instrumentation, energy, fire and life safety, and semiconductor industries, as well as the military sector.

## J.R. Simplot and Caviness Beef to Build New Plant

Amarillo, Texas-based Caviness Beef Packers has formed a joint venture with J.R. Simplot Company, headquartered in Boise, Idaho, to build a new beef processing plant near Kuna, Idaho. Pending approval of permits from all necessary regulatory agencies, construction of the nearly 300,000 square-foot \$100 million plant would begin in spring 2015 with an expected fall 2016 opening. Nearly 600 new jobs will be created.

The joint venture will operate under the name CS Beef Packers LLC and is expected to process up to 1,700 head per day. The plant will harvest cull cows and bulls from Northwest dairy farms and cattle ranches, include hide and rendering processing, and be able to process niche-fed beef programs. The final product will be prepackaged boxed beef that will primarily be marketed toward food-service suppliers and retail outlets.

Scott Simplot, chairman of J.R. Simplot Company, said the new plant will be the first significant processing operation in the region, reducing the need for dairy farmers and ranchers to ship cattle out of the area for processing. It’s estimated that there are more than 600,000 dairy cows and over 600,000 beef cows in the Intermountain West region. Simplot and Caviness are both family-owned companies.



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# Rendering is Sustainable Paper Published

Drs. David Meeker, senior vice president, scientific services, National Renderers Association (NRA), and Jessica Meisinger, director of NRA education, science, and communication, have co-written an article about rendering and sustainability that has been published in the *Journal of Animal Science*, a premier North American peer-reviewed scientific journal. An abstract and the entire article, "Rendered Ingredients Significantly Influence Sustainability, Quality, and Safety of Pet Food," is available at no cost at [www.animalsciencepublications.org/publications/jas/abstracts/0/0/jas.2014-8524](http://www.animalsciencepublications.org/publications/jas/abstracts/0/0/jas.2014-8524). It will serve as a reference for pet food manufacturers and meat processors that rendering helps make animal agriculture sustainable.

The invitation to write the paper came after Meeker gave a well-received presentation on the subject last year at the American Society of Animal Sciences meeting. R

## Biofuels *Continued from page 21*

in the alternative energy market. REG European Holdings B.V. purchased ICG's 69 percent equity ownership in Petrotec for \$20.9 million to be paid in newly issued REG shares at a value determined prior to signing. The REG subsidiary will also purchase ICG's loan to Petrotec AG in the amount of approximately \$15.4 million and make a cash tender offer for all other shares.

Petrotec has more than 15,000 collection points to gather used cooking oil and other waste feedstocks to produce biodiesel at its two facilities in Emden and Oeding, Germany. The company's production capacity is 55.5 million gallons per year, produced predominantly from used cooking oil. Petrotec's collection service, treatment processes, and biorefineries are certified by both German and European regulators. R

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## Industry Websites

|   |  |
|---|--|
| American Fats and Oils Association .....                | www.fatsandoils.org                        |
| American Feed Industry Association .....                | www.afia.org                               |
| American Meat Institute .....                           | www.meatami.com                            |
| Animal and Plant Health Inspection Services .....       | www.aphis.usda.gov                         |
| Animal Agriculture Alliance .....                       | www.animalagalliance.org                   |
| Animal Protein Producers Industry .....                 | www.nationalrenderers.org/biosecurity-appi |
| Association of American Feed Control Officials .....    | www.aafco.org                              |
| Australian Renderers Association .....                  | www.ausrenderers.com.au                    |
| Canadian Renewable Fuels Association .....              | www.greenfuels.org                         |
| European Fat Processors and Renderers Association ..... | www.efpra.eu                               |
| Fats and Proteins Research Foundation .....             | www.fprf.org                               |
| Food and Drug Administration (FDA) .....                | www.fda.gov                                |
| FDA Animal and Veterinary .....                         | www.fda.gov/animalveterinary               |
| National Biodiesel Board .....                          | www.biodiesel.org                          |
| National Cattlemen's Beef Association .....             | www.beefusa.org                            |
| National Grain and Feed Association .....               | www.ngfa.org                               |
| National Pork Producers Council .....                   | www.nppc.org                               |
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| National Renewable Energy Laboratory .....              | www.nrel.gov                               |
| Occupational Safety and Health Administration .....     | www.osha.gov                               |
| Pet Food Institute .....                                | www.petfoodinstitute.org                   |
| Processed Animal Proteins Infobank .....                | www.papinfo.eu                             |
| U.S. Animal Health Association .....                    | www.usaha.org                              |
| U.S. Department of Agriculture (USDA) .....             | www.usda.gov                               |
| USDA Food Safety and Inspection Service .....           | www.fsis.usda.gov                          |
| USDA Foreign Agricultural Service .....                 | www.fas.usda.gov                           |
| U.S. Poultry and Egg Association .....                  | www.uspoultry.org                          |
| United Kingdom Renderers Association .....              | www.ukra.co.uk                             |
| World Renderers Organization .....                      | www.worldrenderers.org                     |



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