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The International Magazine of Rendering
October 2018

Trickle-down Effect
Of retail disruption

Rendered Products Targeted in Trade War

Convention Provides Opportunity to Connect

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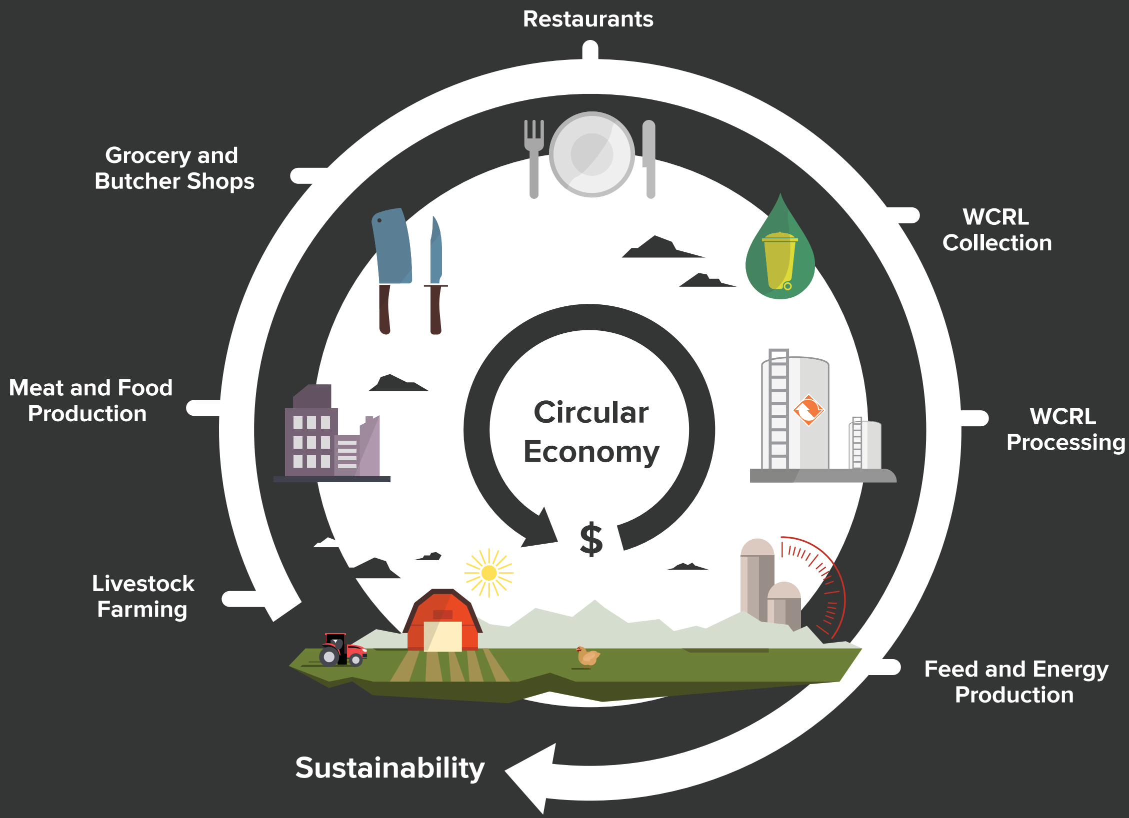
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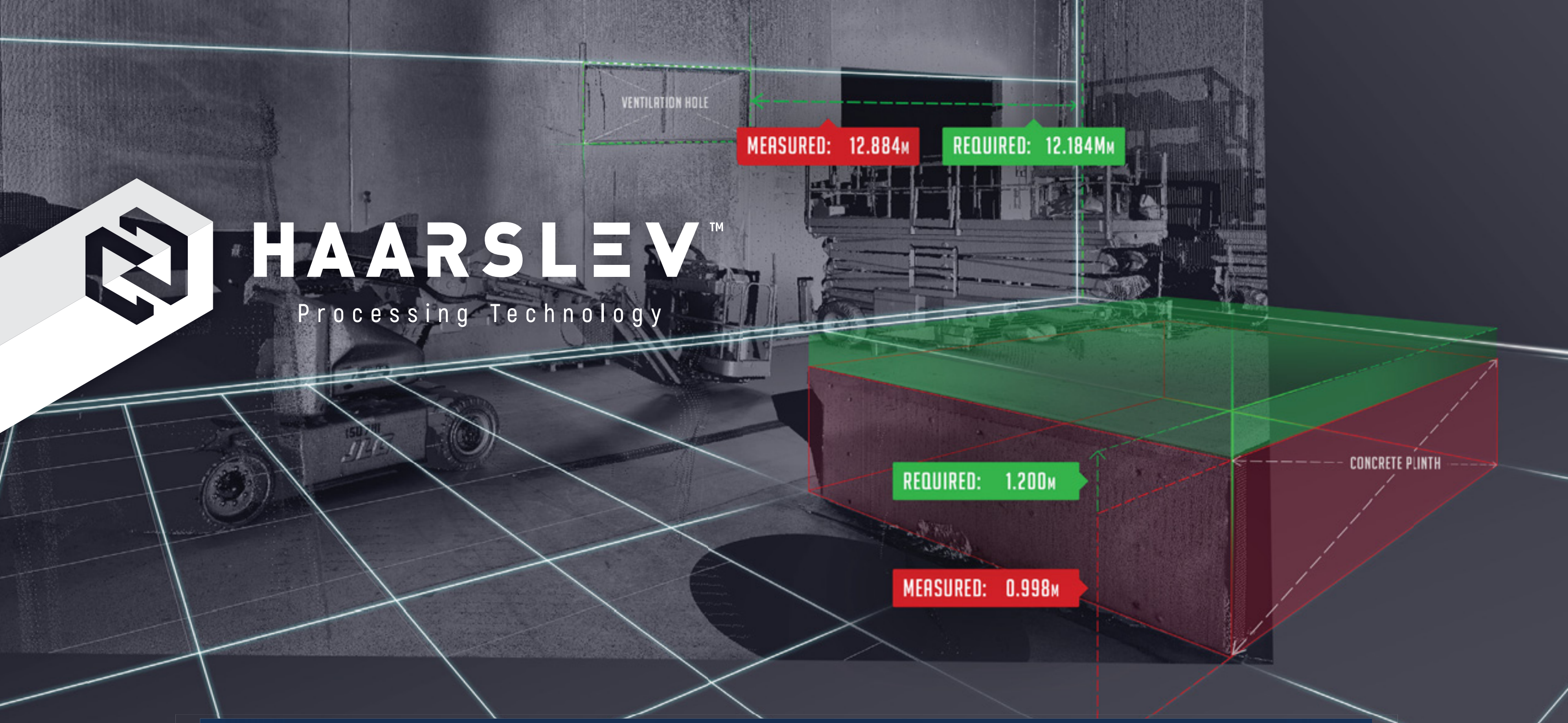

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Renderers are burdened by the disruption that retail shipping, or the so-called "Amazon effect," is having on their logistics.

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Departments

Editorial Offices

1621 Glen Dr.
Placerville, CA 95667
Phone: (530) 306-6792
editors@rendermagazine.com
www.rendermagazine.com

RENDER
The International Magazine of Rendering

Editor and Publisher Tina Caparella

Associate Editor James McGibbon

Magazine Production Sierra Publishing

Contact the National Renderers Association at
500 Montgomery St., Ste. 310, Alexandria, VA 22314
(703) 683-0155 Fax (571) 970-2279
renderers@nationalrenderers.com
www.nationalrenderers.org

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Rendertorial

A "meat-free commitment" is forcing employees of one company to become vegetarians, at least at company events and while on the company dime.

WeWork, a $20 billion global network provider of workspaces founded in 2010 and based in New York, recently committed to becoming carbon neutral by 2023. Removing major single-use plastics from their buildings by the end of this year is one goal and admirable. Their second goal recently announced is where many are grumbling—loudly.

The company told its 6,000 global employees in a memo in July that it will become a meat-free organization, no longer serving pork, poultry, or red meat at company events or paying for meals sponsored/reimbursed by the company that include meat. Seafood is exempt, however. According to the memo, this new policy will help WeWork save 16.7 billion gallons of water, 445.1 million pounds of carbon dioxide emissions, and over 15 million animals by 2023. The new policy will also reportedly help WeWork save money as it will affect the company's travel and entertainment expenses since employees dining out for business purposes will not be reimbursed for meals that include meat. What about the administrative cost of double-checking every receipt submitted?

Apparently WeWork co-founder Miguel McKelvey, who signed the memo, hasn't educated himself on the effect that food-producing animals have on the environment. As reported by Dr. Frank Mitloehner at the University of California, Davis, in the June 2017 issue of *Render* magazine, livestock production accounts for 4.2 percent of all greenhouse gas emissions in the United States, followed by transportation at 27 percent and energy production at 31 percent. Others have reported livestock's environmental effect could be as low as 2 percent. Either way, removing meat from a company's diet is hardly going to make as much of a difference as McKelvey claims it will. He has, however, brought about much criticism for his dictatorial manner.

Perhaps WeWork needs to examine more constructive ways of saving the planet than demanding its employees and clients become vegetarians. **R**

By Steve Kopperud, SLK Strategies

Prognostications

It is mid-September in Washington, DC, and all agendas—Capitol Hill, White House, and industry—begin and end with midterm election predictions and what can/should be done to influence the outcomes on November 6. In the spirit of follow-on, this author is going out on a limb and providing targeted "SWAGs" on the election outcome, this administration's current schizophrenic trade policy, and the 2018 farm bill. (SWAGs, for those unfamiliar with increasingly archaic American slang, are "scientific, wild-ass guesses," plainly defined as rough estimates made based on experience and intuition, i.e., a "guestimate.")

The outcomes described below have a December 31, 2018, end time, meaning the stuff predicted will survive the mid-October congressional recess for last-minute campaigning before the November midterm elections, the post-election reconvening of Congress for the inevitable lame duck session in mid- to late November, and a likely run-up to Christmas.

A smart observer would not climb out on this limb of issues. That being said, my SWAGs are these:

- There will be no overwhelming "blue wave" (Democrat) sweeping the GOP out of power on Capitol Hill
- The United States (US) and China will be hip-deep in talks that will end the tariff tit-for-tat
- A trilateral North American Free Trade Agreement (NAFTA) 2.0 will be under congressional review, if not signed by President Donald Trump
- The 2018 farm bill will be either in-hand or very close to being laid on the president's desk

November Midterm Election

The outcome of the November midterm election is critical to Trump's agenda. If one or both chambers go Democrat, for all intents and purposes, Congress shifts into idle for the last two years of Trump's term, making reelection a more complicated endeavor and forcing the rest of the country to endure finger-pointing and the blame game over the lack of progress.

The bandwagon on which most media and pundits ride is that a "blue tidal wave" of Democrat election upsets will wrest control of the House, and possibly the Senate, from Republicans. With the scars of 2016's failures still fresh, pollsters and campaign analysts loudly claim to have adjusted their thinking, formulas, and systems, given that in 2015 the vast majority outright dismissed Trump as a serious primary candidate. Trump was also never thought to have any chance to win his party's nomination for president, and it was certainly impossible he would ever reside in the White House given Hillary Clinton's far superior resume and campaign machine.

While a lot of money was lost by those who bet against Trump in 2016, and while most of the media—both political and general—spent this summer telling the voting public a Democrat take-over of the House and possibly the Senate are inevitable, those same media outlets are now hedging their bets, warning Democrats not to get overconfident. The Democrats' basic premise is that they can exploit current political divisions and effectively run against Trump's personality, style, and personal history, attaching these same negatives to GOP candidates nationally. The Democrat party writ large strategy will be to turn the volume up on perceptions of the Trump GOP as heartless when it comes to federal entitlements like food stamps, the Republican dream of repealing the Affordable Care Act ("Obamacare"), anti-environment, and being firmly in the hip pocket of big business and Wall Street when it comes to tax cuts, regulation, and protections against a repeat of another economic debacle like the one in 2008.

This strategy exploits negatives, however, and does not speak to a "better way forward." This is conventional thinking and the process seems fueled more by wishful thinking than reality, yet seasoned political observers never underestimate the Republicans talent for snatching defeat from the jaws of victory.

An overwhelming Democrat sweep of the midterm elections is predicated fundamentally on the historical pattern that the party of the sitting president loses congressional seats in a midterm, particularly the midterm election during a president's first term. Since 1934—Democrat President Franklin D. Roosevelt's first term—the party of the sitting president has lost an average 30 House seats and four Senate seats. These losses and the pattern that has emerged are generally attributed to viewing the election as a referendum on the sitting president's popularity (an average of nine polls puts Trump's approval rating at just shy of 41 percent), the presidential party's success record, and relatively low voter turnout compared to the general election.

The current congressional power split shows the House controlled by 236 Republicans, with 193 Democrats, and six vacancies; the Senate is controlled by 51 GOP lawmakers, 47 Democrats, and two Independents who caucus with the Democrats. For the Democrats to take control of the House, voters must oust 24 Republicans while Democrats retain 100 percent of the seats now held; the Senate comes down to flipping just two seats for a Democrat majority.

The boldest prediction is the Democrats pick up 72 House seats, a major stretch, but not impossible given that President Bill Clinton watched 54 Democrats lose their seats in 1994 when the GOP took control of the House under then Speaker Newt Gingrich (R-GA). President Barack Obama watched his party lose a whopping 63 seats in 2010. The kindest prediction is that Republicans lose only 10 seats, with most pundits predicting a GOP loss of 25 to 30 seats, enough to cede chamber control to the Democrats.

While there is little doubt the Republicans will lose some House seats, the SWAG here is losses in the 10 to 15-seat range. While narrowing the majority, it still leaves the GOP with a comfortable margin to move its agenda. On the Senate side, the more objective analysts list nine races as toss-ups. Of these nine, several are Democrat-held seats in states which Trump won handily in 2016. A best-case scenario is the Republicans pick up a net three to five seats, an outcome that would make Senate Majority Leader Mitch McConnell's (R-KY) job easier, while giving Minority Leader Charles Schumer (D-NY) fits.

The overall degree of GOP loss or gain is linked to the success of Democrat opposition certainly, but more to the ability of the GOP to package its two-year record and shift to a national, not a district/state, strategy on reelection. If done right, the Republicans' post-election pain could be minimal, at least that is how Gingrich reads it. He masterminded the 1994 Republican take-back of the House using his "Contract with America," a list of policy commitments to the public based on careful and consistent analysis of voter priorities. The Republican National Committee has a draft "Contract with America 2" ready to go, according to media reports and Gingrich statements on conservative talk radio.

If the national GOP shifts the historic November 6 midterm election to a national referendum on Republican progress—with a promise of more to come—and they retain control of Congress, it will be only the fourth time in a century the majority party has survived the midterm curse. It will also, in Republican eyes, vindicate the party that acknowledged in 2016 its congressional victory gave them two years to demonstrate to the American public it could govern.

In a national campaign, the GOP can point to some significant achievements. Compared to two years ago, the US economy is humming along at 2.5 to 3 percent steady growth—fueled in large part by business and personal federal income tax cuts—and the stock market's consistent strength seems immune to the vagaries of Trump's Twitter account. Federal regulatory relief for business is unprecedented and unemployment generally and across the board by demographic (i.e., black, Hispanic, women, teens, etc.) is at 20-year lows, as is the overall number of Americans on federal food stamps and other forms of assistance. When it comes to playing to the Trump base, nothing sings louder than the White House putting two new conservative associate justices on the bench of the US Supreme Court.

Trump, China, and NAFTA 2.0

Perhaps the most subjective and difficult of the three issues to analyze is Trump's trade policy. It appears White House strategy is to identify those nations with which the United States has the greatest trade deficits—the goal being to erase said deficits because Trump hates such imbalances—followed by threats to trading partners, followed by short-term (albeit painful) tariff punishment (e.g., steel/aluminum). This culminates in a "win-win" declaration when Trump decides he has gotten as much as he is going to get.

These trade SWAGs are based upon what is known of talks/negotiations/preliminary agreements at this writing—details are admittedly sparse—but also what is predicted by others who watch trade closely and what details of various arrangements are known, either leaked by the administration or reported in the press.

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Rendered Products Targeted in Trade War

After seven weeks of public notice, hearings, and extensive opportunities for comment, United States (US) President Donald Trump directed the US Trade Representative (USTR) to proceed with placing additional tariffs on roughly $200 billion of imports from China. The tariffs took effect September 24, 2018, and were set at a level of 10 percent until the end of the year. On January 1, the tariffs will rise to 25 percent if needed. Trump stated that if China takes retaliatory action against US farmers or other industries, the United States will immediately pursue phase three, which is tariffs on approximately $267 billion of additional imports. This action follows tariffs of 25 percent put in place in June on $50 billion worth of Chinese imports amid claims by US government of unfair practices by China, demanding it give fair and reciprocal treatment to American companies.

As expected, in retaliation, China's Ministry of Council announced $60 billion in new tariffs on over 5,000 US products, also effective September 24. According to reports as of press time, the new Chinese tariffs will range from 5 to 25 percent and apply to such items as chemicals and machinery, as well as rendered products, including protein meals and hides, skins, and leather. China's previous round of retaliatory 25 percent tariffs in June spanned 128 US products, including pork, beef, and soybean exports to China.

"US renderers are deeply concerned by China's latest retaliatory trade tariffs, a setback for the industry after years of work to open and expand the Chinese market," the National Renderers Association commented in a statement. "Included on China's latest retaliation list are non-ruminant protein meals, including porcine and poultry meal, which are nutritious, high quality, and valuable rendered ingredients critical for the production of animal feed. China's demand for these rendered products is increasing and the United States has successfully capitalized on this growth, capturing 70 percent of the Chinese import market to a tune of $141 million in 2017 alone.

"Renderers have worked tirelessly for years to develop and enhance export markets around the world," the statement continued. "Developing and keeping foreign customers takes time and US renderers strive to be reliable and dependable suppliers. As a result, our industry alone has witnessed a 532 percent increase in exports to China since 2012. While we recognize the importance of fair and transparent international trade, we cannot ignore the looming threat that increasing tariffs pose to this market we have diligently developed. On behalf of the US rendering industry, we encourage a prompt resolution to the trade dispute between the United States and China." **R**

Trickle-down

By Alfred Parker, Dupré Logistics

Todd Strickler manages logistics for Sanimax in North America. Sanimax collects and recycles used cooking oil and organic food waste into marketable commodities. In the 25 years he has managed logistics in the rendering industry, he has never experienced the effort required nowadays to find carriers needed to haul loads for his company.

"It's pretty crazy," Strickler said. "This year is the worst we've ever seen. Carriers that have worked with us for a very long time are turning down freight." For example, on one weekend in August, Sanimax required six trucks and only one showed up.

"We have to bring in alternate carriers—many we've not worked with before," he commented. "Once we bring new carriers in, we have to break what we were doing to get them up to speed." At Sanimax and many other companies, continuously sourcing new carriers has become the new normal.

Strickler believes the upheaval is largely caused by the trickle-down effect of the disruption in retail, and there is evidence he is correct. E-commerce and the gravitation away from brick-and-mortar stores is affecting the way logistics works and changing the supply chain for those trying to get goods delivered.

Dave Grillo, vice president and general manager at Chemol, a company that creates a resin substance used to seal envelopes and boxes, shared that the logistics dilemma has his company looking for an extra 10 to 13 trucks a week. Grillo recognizes the burden that retail disruption, or the so-called "Amazon effect," is causing on infrastructure. The Amazon effect is defined as "the ongoing evolution and disruption of the retail market, both online and in physical outlets, resulting from increased e-commerce. The name is an acknowledgement of Amazon's early and continuing domination in online sales, which has driven much of the disruption."

Grillo bemoans the current way of life for many, where people sitting at home on their laptops order three things in three separate transactions late at night. Two days later, three trucks deliver the items to their home. Rather than one trip in one family car to the store, those items are delivered to the home in three different trucks, requiring three different drivers. The bottom line is that mindset lures drivers from one industry to another.

"I'm so skeptical on trucking these days that I try to build in an extra week or two wherever I can," explained Grillo, adding that the reasons for the logistics issues make sense. "Why do these guys want to get on the open road with 80,000 pounds when they can drive from a distribution center to someone's home and be home every night? The type of driver is shifting, but we still need drivers for the rendering industry."

The Final Mile

In the world of transactional logistics, cost predictability and control is a liability. Shippers are seeing extraordinary price increases that are causing some to seek dedicated carriers in an effort to contain costs.

Peeling the layers back of the disruption of the retail market reveals a change in shipping and fulfillment at large, and those changes create ripple effects throughout the transportation industry. Increased e-commerce also adds significant trucks and goods on the road, which creates more overall traffic. The greater demand for shipping and delivering impacts the driver shortage across the board.

The inefficiency of the so-called "Final Mile," a term used in supply chain management to describe the movement of goods from a transportation hub to a final destination—and the scenario Grillo referred to in his late-night shopping scenario—is considered by many as the final frontier of logistics. Its cost is so burdensome that futuristic solutions are plenty: drone deliveries, self-driving vehicles, flying warehouses, or other yet-to-be-invented solutions to the Final Mile problem.

The Final Mile delivery challenge is not new. The United States Postal Service has been tackling and trying to improve the inefficiencies of home delivery for over two centuries. More recently, United Parcel Service and FedEx have looked for better ways. E-commerce and the Amazon effect,

Effect

of Retail Disruption

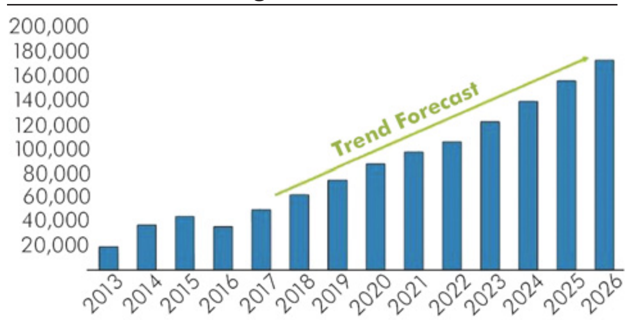
however, have catapulted the Final Mile matter to affect the country's logistics industry at large, exacerbating fragile infrastructures, and testing experts across the country.

Previously, there was a veil of secrecy, or even what some may call a veil of apathy, when it came to logistics, distribution, and fulfillment. Historically, there was little transparency and visibility of the supply chain. The Amazon effect is now forcing companies to unveil what happens from the time products are picked up until they are delivered. Until recently, consumers did not care how one thing got to another place, or have exact expectations about when that thing would arrive. The items were simply shipped and delivered. No one expected to know much more than that. Now, consumers want to know.

The journey has become unveiled. The omnipresence of Amazon coupled with the increasing truck driver shortage is forcing even industries outside e-commerce—like rendering—to come to terms with the new norm. Consumers show no interest in going backwards.

As logistics capacity is restructured because of Amazon and the increased focus and demand for Final Mile deliveries, even the real estate landscape is changing. Companies have historically put distribution centers on the edge of urban areas. Under the new landscape, however, the "edge" keeps getting redefined outward as 500,000-square-foot facilities become million-square-foot ones, explained David Egan, head of industrial and logistics research at CBRE Group Inc., in a Bloomberg article.

Truck Driver Shortage in the United States



Source: American Trucking Association

So What Happens Next?

Some industries that have been slow to accept change or have even resisted it may find themselves in a conundrum when it comes to logistics management in the short- and long-term future. As the logistical storm continues to brew, led by the Amazon effect, the driver shortage and other factors, including extreme congestion on roads and highways, could force industries like rendering to look for previously unconsidered solutions to find reliable logistics services. Finding a solution to the logistics conundrum comes at a cost and will require an organization to rethink its approach. Companies may consider combining inbound and outbound logistics to make its overall transportation needs more efficient. Instead of increasing private fleet size, they may consider partially outsourcing logistical needs or utilizing dedicated contract carriage, which protects companies through fluctuations in the market and is advantageous to growth.

With every logistics solution, however, there are pros and cons. For example, though transactional logistics offers day-to-day control over a company's logistics spending and can fix an immediate logistics problem, the inconsistent capacity is an issue and, as is more evident than ever, there are varying levels of customer service.

Additionally, shippers are beholden to market conditions in transactional logistics, but can take advantage of favorable market conditions when available. In tight markets though, shippers need additional manpower to chase capacity because carriers have no obligations to shippers. Fluctuating billing/invoicing and loading congestions due to inconsistent scheduling is also a frequent issue with transactional logistics.

In "committed capacity" scenarios, even with no formal obligation to carriers, shippers are able to standardize logistics costs and will have limited exposure to market conditions. Time is needed, however, from agreement to implementation and there is a potential lack of supply chain visibility, limited growth/expansion opportunities, and lower payload size due to standard equipment. By leveraging procurement of logistics via a semi-annual or annual request for proposal, shippers are still exposed to market conditions but on a limited basis.

In a "contract carriage," shippers contract a private fleet specifically for their use with customized assets to increase efficiency/productivity and active logistics management. The single point of contact makes the arrangement efficient. Though initial return on investment is affected, most shippers realize a cost savings over time. Like in committed capacity situations, time is required from agreement to implementation, yet contract carriages offer a reduction in back-office management and customized technology with supply chain visibility. There are limited soft costs due to structured agreement, but also limited contract termination.

Contract carriage boils down to economies of scale, a win/win partnership, and customized supply chain solutions; however, it is a matter of single source versus multi-source and a change from standard logistics practices. In most cases, limited lead time is required to react to logistics needs and standardized annual logistics cost for term-of-agreement make planning smoother. Market growth can be structured in logistics agreement.

Whatever logistics solution a company decides to utilize, the time to act is now. The logistics wave is not subsiding. **R**

Convention Provides Opportunity to Connect

For 85 years, the National Renderers Association (NRA) has convened annually to address topics of concern, new opportunities, proposed and existing government regulations, and international markets. This year, NRA will meet in Dana Point, California, October 22–26, for its annual convention and will feature speakers sharing their expertise and insights on sustainability, biofuels, pet food, the global livestock industry, and trade developments.

NRA committees will also gather during the week to discuss more specific matters as they relate to renderers and their future. In addition, the Fats and Proteins Research Foundation will present an emerging issues seminar where researchers and industry insiders will highlight new projects and technologies benefiting the industry.

Among these educational forums is also an opportunity for renderers to meet with industry suppliers to learn and discuss the latest equipment and services available. The NRA convention benefits from the many companies that display their wares at the tabletop exhibit as well as from the many more that provide sponsorship. Companies that committed to helping further educate and support the industry at this year's convention were invited to provide a brief summary of their products and/or services. The following is an alphabetical guide to this year's NRA convention sponsors and exhibitors who responded to the invitation by press time.

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AC Corporation has been providing the rendering industry with quality equipment, with a focus on air pollution control, for over 45 years. Every project is designed to meet the specific needs of a facility, whether it is a single piece of equipment or a turnkey installation. AC Corporation's staff of engineers, project managers, and experienced craftsmen can handle any rendering project, from the smallest ductwork jobs to complete plant design and installation.

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Alloy has followed up on its 65th anniversary campaign in 2017 with a look to the future. In addition to new supplier partnerships to ensure an ever-widening scope of supply for its customers, the company has looked at solving some of the persistent issues of the industry through innovation. One example has been an improved drive conversion for batch cookers/hydrolyzers that makes use of the latest in drive technology while minimizing conversion cost and downtime.

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Andritz's Gouda contact roller dryers will continue to be utilized well into the future. Proven installations where contact roller dryers for proteins (poultry, beef, pork, and fish) produce dry products with:

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Brown Industrial is a third generation family owned business. Their WaBo line is a leader in mobile aluminum, steel, and 409 stainless steel rendering equipment offering container grease, bucket, vacuum barrel, vacuum, combination, deadstock, and rendering end dump units. Brown Industrial is continuously improving and expanding their product line. Their newly expanded facility has allowed them to grow to meet industry needs. Brown thanks the rendering industry for its many years of patronage and looks forward to many more.

See ad on page 7.

Calpine Energy Solutions Inc.
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gene.owens@calpinesolutions.com

There are many forces impacting natural gas and electricity markets. Regulatory changes, supply/demand balance, weather shocks, geopolitical influences, sustainability initiatives, environmental legislation, innovation, and overall macroeconomic conditions will all influence the volatility, overall price movement, and liquidity of energy markets. Let Calpine Energy Solutions ensure your company has the gas and power needed for operations. They can develop a successful portfolio risk management program that is measured and quantified.

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Darling Ingredients Inc.
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Darling Ingredients continues to expand its United States presence in low carbon biofuel production with its recently completed expansion at its Diamond Green Diesel facility in Norco, Louisiana, increasing annual capacity from 160 million to 275 million gallons of renewable diesel. Discussion is underway to consider an additional expansion, taking capacity to over 600 million gallons in 2021. By converting animal fats and used cooking oil into high quality renewable diesel, Darling is meeting the global demand for low carbon biofuels.

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Frontline International Inc.
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Frontline International's Smart Oil Management equipment makes it easy to recycle and collect cooking oil and grease. With the touch of a button, oil is moved from the fryer to containment tanks, which include an optional web-based software that alerts renderers on tank volume, allowing greater control over route planning so trucks return with fuller loads and travel smarter routes. Frontline collection ports, with integrated anti-theft valve, make it impossible for thieves to drain stored oil.

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Convention *Continued from page 13*

Genesis III Inc.
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Genesis III is committed to supplying hammer mill components that are "built for the grind." Over the past 12 years, the company has redefined the industry with significant market innovations, including their proprietary Duraweld hardfacing and patented forged hammers. They work with the customer to provide the best solution for any specific application. Products that deliver, backed by a guarantee you can count on.

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GTech is a provider of new and remanufactured horizontal decanting and vertical disc centrifuges used in the rendering industry. The company supports its customers with thousands of in-stock parts for immediate shipment. GTech's parts sales staff is very professional and knows renderers' equipment. Spare parts are available for many of the Alfa-Laval and Westfalia centrifuges used in rendering. GTech is a full service round-the-clock centrifuge company providing complete machine reconditioning, field service, installation/start-up support, and training.

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Haarslev is a leading supplier of processing solutions for recovering oils, proteins, minerals and other high-value co-products. They help customers raise the bar on processing efficiency and end-product value, with upgrade and services that enable companies to boost yields, improve output quality, and reduce operating costs. Haarslev is a global company with manufacturing facilities in Denmark, the United States, Spain, Brazil, and China, with over 1,100 employees worldwide, and sales representatives in 17 countries.

See ads on pages 1 and 20/21.

Hychem Inc.
(800) 327-2998
www.hychem.com

Hychem Inc. has over 30 years of experience in the rendering industry with a focus on specialty chemical sales and service for water and wastewater treatment applications. Their priorities have always been and continue to be the supply of quality, made-in-the-United States coagulants and flocculants at low prices supported by technical experts with the flexibility necessary to handle the variety of projects, applications, and service requirements unique to every rendering application.

International Feed
(952) 249-9818
www.internationalfeed.com

International Feed is a Minnesota-based trading company with a global focus on promotion and export of United States containerized agricultural products and animal proteins. The company operates its own container transloading, logistics, and distribution business. Tap into International Feed's expanding global network of feed millers, integrators, and pet food production customers to consistently bring the best export values back to your rendering business.

Kemin Industries
(877) 890-1462
www.kemin.com/assurance

For over 25 years, Kemin Nutrisurance has provided technical expertise, products, and services that meet the needs of pet food manufacturers, renderers, and ingredient suppliers. Their team of scientists and application equipment engineers are available to help customers optimize Kemin's portfolio of stability, food safety, palatability, nutrition, and immune health solutions. They understand the challenges that the rendering industry faces and support customers throughout the manufacturing process. Kemin is assurance.

See ad on page 2.

MAC Trailer Enterprises Inc.
(800) 795-8454
www.mactrailer.com

MAC Trailers custom features and superior construction is second to none in the rendering trailer industry. The company is proud to offer customers top quality rendering trailers custom built to their specific needs. For over 25 years, MAC Trailer has manufactured a wide variety of rendering trailers keeping the bottom line in mind, helping to improve the industry standard by offering competitive pricing and superior service for all applications with the highest level of quality for even the most rugged haul.

MPI Inc.
(248) 887-5600
www.mpimagnet.com

MPI manufactures large tube self-cleaning drawer magnets specifically designed for the rendering industry. Features include:

- Tube options—standard one-inch supports maximum tramp metal retention or large three-inch maneuvers difficult flowing products
- Automated self-cleaning—program automated cleaning cycles
- HI-G magnet material—features best-in-class Gauss and magnetic pull for maximum tramp metal retention
- Sani-tight seal gasket—maintenance-free design for sticky and high fat products

Continued on page 16

Convention *Continued from page 14*

National Beef Packing Company LLC
(800) 449-2333
www.nationalbeef.com

National Beef Packing Company LLC, based in Kansas City, Missouri, is a premier beef company that has built relationships with America's leading ranchers and farmers. The company processes and markets a comprehensive line of fresh beef, consumer-ready products, and beef by-products, achieving 2017 annual sales of $7.4 billion dollars. National Beef employs over 8,000 individuals across its production plants and office locations, with facilities in Dodge City, Liberal, and Kansas City, Kansas; St Joseph, Missouri; Moultrie, Georgia; and Hummel's Wharf, Pennsylvania.

Onken Inc.
(309) 562-7271
www.onkens.net

Onken continues to innovate how renderers do business. Since 1983 when Don Onken first conceived the bulk container system to the company's most recent locking-screen security lid, they continue toward that goal. They also offer a line of robotically welded automotive oil tanks and enclosed grease tanks. Onken Inc. continues to improve how customers efficiently collect product while still safeguarding their investment. Check out their new website for the latest innovations.

See ad on page 3.

Roper Pump Company
(706) 335-5551
www.roperpumps.com

Founded in 1857, Roper Pump Company has grown into a leader of positive displacement pumping technology. They have been providing innovative solutions to some of the toughest applications in the rendering industry. For the transfer of lard, tallow, blood, yellow grease, or slurries, Roper Pump Company can provide a durable and reliable pumping solution to keep the rendering process up and running.

Rosedowns
(800) 635-1431
www.desmetballestra.com

Rosedowns, established in 1777, is a global leader in the design and manufacture of screw presses and the supply components for all leading press models offering the end user new materials and design, achieving high yields, less wear, and low power consumption. Their service Center in Kansas City, Missouri, offers a collection/delivery/repair service to all rendering customers in North America.

Sanimax
(888) SANIMAX
www.sanimax.com

Sanimax provides quality environmental services to customers in the agri-food industry in the United States, Canada, Brazil, and Colombia. The company reclaims animal and meat by-products, used cooking oils, and organic materials that would otherwise end up in a landfill. They renew and transform them into useful products and then return them to the marketplace as high-demand goods like tallow, protein, and leather.

Reclaim, renew, return: it is what Sanimax does proudly every day and has been doing for many generations.

Smithfield Foods Inc.
www.smithfieldfoods.com

Smithfield Foods is a $15 billion global food company and the world's largest pork processor and hog producer. In the United States, the company is the leader in numerous packaged meats categories with popular brands including Smithfield, Eckrich, and Nathan's Famous, among others. Smithfield Foods is committed to providing good food in a responsible way and maintains robust animal care, community involvement, employee safety, and environmental, food safety, and quality programs.

Solenis LLC
(866) 337-1533
www.solenis.com

Solenis is a leading global specialty chemical supplier. The company's product portfolio for the rendering industry includes Food and Drug Administration-approved process chemistries for controlling scale, corrosion, and surface foam, as well as Environmental Protection Agency-approved and NSF International-registered chemistries for the treatment of boiler and cooling water. Solenis also offers an advanced suite of analyzers and controllers that allow for the automation of chemical treatment programs in complex industrial environments.

The Dupps Company
(937) 855-6555
www.dupps.com

The Dupps Company designs, builds, and markets a comprehensive range of systems and equipment for the rendering industry. They offer proven durability and performance in cookers, dryers, screw presses, size reduction equipment, new Dupps-Gratt centrifuges, and material handling systems as well as complete rendering plant installations. The company also provides the rendering industry's largest staff of full-time field service technicians based in Germantown, Ohio, and in three new service locations in Ankeny, Iowa; Atlanta, Georgia; and Querétaro, Mexico.

See ads on pages 9 and inside back cover.

Tyson Ingredient Solutions
(800) 950.2344
www.tysoningredientsolutions.com

Tyson Ingredient Solutions, part of Tyson Foods Inc., is a family and business of innovation, progress, and momentum. The company produces 100 percent chicken-based protein and lipid ingredients for animal feed, pet food, and aquaculture feed. With the acquisition of American Proteins, the company expects to use their combined knowledge and expertise to propel them forward in the rendering industry.

Universal Maintenance Inc.
(706) 297-0087
www.universalmaintenanceinc.com

Universal Maintenance is a family-owned corporation located in Georgia. The company is a general contractor focused on the rendering industry and performs several services including maintenance, consultation, new construction, and equipment fabrication. Universal Maintenance developed a dissolved air flotation (DAF) skimmings dewatering system followed by a processor that eliminates the need for hexane and deletes fines in the normal process of DAF skimmings.

VanAire Inc.
(800) 826-243
www.vanaireinc.com/daf

VanAire Inc. has provided over 20 years of proven dissolved air flotation (DAF) wastewater treatment solutions with over 200 installations in multiple industries. Their customers experience a fast return on investment by reducing or eliminating total suspended solids, biological oxygen demand, surcharges, and fats, oils, and greases. The VanAire MicroAire DAF aeration units are the technology behind the industry's smallest bubbles. VanAire can custom engineer a simple treatment system or a comprehensive wastewater treatment system to satisfy a customer's needs.

VRM Labs
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www.vrmlab.com

VRM Labs is a specialty chemical company providing natural, biodegradable solutions for renderers. Their flocculant is a natural alternative that is effective and non-polluting. VRM Labs' feed antioxidant is still in the approval process with the Food and Drug Administration but research has demonstrated it is also a natural and effective alternative for slowing oxidation of rendered products and pet food. **R**

For a complete list of the sponsors and exhibitors for this year's NRA convention in Dana Point, California, October 22-26, 2018, visit http://convention.nationalrenderers.org. The NRA thanks all the sponsors and exhibitors who so generously contributed to the success of this year's convention. Their continual support of the industry is much appreciated.

Washington *Continued from page 7*

The monster trade victory over which the president salivates is to force reinvention of China's trade policy in a US image, and in doing so, erase the US-China trade deficit. The 2017 US-China trade deficit was $375 billion, with US exports to China totaling $130 billion and imports from China being $506 billion. Global tech companies doing business in or seeking to do business in China have long complained the price of accessing that huge and growing market is being compelled to "share" intellectual property or technology with the Chinese. Those less politically correct allege outright theft of technology by the Chinese, and while these critics may denounce the use of tariffs, they praise the fact "we're doing something" about Chinese policy.

On September 24, Trump put in place $200 billion in tariffs on various (cynics would argue all) Chinese exports to the United States, after $37 billion in tariffs were put in place in June. China's first round of retaliatory levies slapped on US imports this past summer mostly targeted soybeans and other ag commodities from states that supported Trump in his election bid. September retaliatory tariffs of $60 billion hit closer to renderers, with certain animal protein meals and hides making the list.

A tariff tit-for-tat between the world's two largest economies is a nightmare for most industries and economists, whether United States, Chinese, or European. Most of Congress—along with several state lawmakers; national, state, and local business groups; and just about every farmer and rancher in the United States—is pleading with the administration to stand down from the China face-off as agriculture winds up a victim of friendly fire in this trade shoot-out.

Grassroots organizations exasperated at the Trump trade approach emerge almost weekly. Americans for Free Trade, a coalition of 86 trade groups representing retail, manufacturing, and service sectors, has joined hands with Farmers for Free Trade to jointly underwrite a multimillion-dollar media and grassroots campaign—Tariffs Hurt the Heartland—against the Trump administration's imposition of tariffs, and not just those leveled at China. *Politico* reports the campaign is "the largest" and "best funded" to date and represents a large cross-section of the economy. Several coalition media events are aimed at key congressional districts pre-midterm elections.

US-China talks last spring inspired hope this trade tug-of-war would be avoided. At that time, China reportedly agreed to buy an additional $70 billion in US agricultural and technical goods. Trump, however, wanted at least a $200 billion annual trade-deficit reduction while the Chinese government refused to fundamentally change its trade policies at the beck and call of the United States. The wheels came off that cart.

While Trump continues to threaten and characterize the Chinese economy as now "on the ropes," and the Chinese government counters that it is more than able to weather this trade tiff, it appears there may be light at the end of the tariff tunnel. While not announced publicly by Trump or the US Special Trade Representative's office at this writing, it is widely expected Trump and Chinese President Xi will meet in November to talk trade and levies, specifically to effect an end to the tariff war. If that meeting is successful, a second meeting could be held at the ministerial level to lock down a tariff cease fire.

Staying on the trade track, it is almost assured that a new three-nation NAFTA treaty will be in hand and under review by Congress as this is read. Sitting Mexican President Enrique Peña Nieto leaves office December 1 and wants a brand new NAFTA as one of the jewels in the crown of his tenure. Trump wants another economic victory—and justification of his "big stick" deal-making strategy—to trumpet prior to the November midterm elections, and Canadian Prime Minister Justin Trudeau is facing October federal elections and cannot afford to walk away from his country's most pervasive and lucrative trade pact.

Putting politics aside, the fundamental reasoning this deal got done, despite all the rhetoric, is simple: none of the countries involved, including the United States, can afford the economic hit that results from walking away from the 24-year-old trade pact.

The road to the US-Mexico agreement was relatively smooth, given there were only a few serious parochial issues between the two nations. This bilateral meeting of the minds was expedited when the United States walked away from two of its biggest "demands" (i.e., a new section favored by southeastern US produce growers would make it easier to bring anti-dumping complaints against Mexico): Western US growers opposed their southern fruit and vegetable brethren, and a controversial five-year sunset provision was opposed by both Mexico and Canada.

Canada and the United States had a tougher row to hoe in reaching an agreement as there was much more face-saving involved. This is evidenced by Trump's repeated threat to "just slap a tariff on their cars" and Trudeau's public pushback and talk of a "fair deal for Canada, a fair deal for the middle class." Canada likely won points on dispute resolution demands and protection for its media from US acquisition. It also likely protected its federal agricultural supply management system, but gave concessions on its Class 7 dairy price support scheme, thereby giving US dairy farmers expanded access to the $16 billion Canadian market.

It is almost guaranteed that once a 90-day public review ends and Congress finishes its oversight hearings and the new treaty is ratified—Congress only gets an up-or-down vote, no amendments allowed—Trump will likely hold the mother of all Oval Office ceremonies.

2018 Farm Bill

For the rendering industry, the omnibus farm bill is of general interest only because it includes a trade title that authorizes language—with recommended funding levels—for both the Market Access Program (MAP) and the Foreign Market Development (FMD) program. Dozens of state and national organizations rely upon MAP and FMD to help underwrite export market development programs. The National Renderers Association (NRA) has long depended on FMD funding as a "cooperator group" to cover NRA's overseas market development offices and personnel.

While the farm bill recommends program funding levels, congressional appropriators set specific amounts. For MAP and FMD, these levels have been static for several years, with Congress funding MAP at $200 million a year and FMD at $34.5 million. The new farm bill does two things when it comes to these two programs: it authorizes higher spending levels—but not nearly as high as industry and several members of Congress would like to see—and it shifts both programs to "mandatory" funding. This makes their expense part of the formal overall farm bill cost baseline, protecting both program and funding should efforts to craft a new omnibus law bog down or fail.

It is likely that as you read this, the US Department of Agriculture's (USDA's) farm programs are operating under an extension of the authority of the 2014 farm bill, not the new and improved 2018 bill, because the updated omnibus farm legislation did not emerge from the conference committee reconciling House and Senate versions by September 30, when the old law expired. Because most farm programs are tied to crop years, there must be a full-year extension of the old law, but this extension is overridden when the 2018 conference report is approved by both chambers and signed by the president, as is expected. This means that as long as there is no new, reconciled 2018 farm bill that carries a presidential signature, several non-mandatory funding programs are suspended. While MAP is a mandatory funding program, FMD is not, meaning USDA does not send checks to FMD cooperator groups, such as NRA, until the new farm bill kicks in.

The 56 House and Senate conferees reconciling the 2018 farm bill focused most intently on the three biggest sticking points in their negotiation. Those were the disparate approaches of the two chambers to requiring or not enhanced work/training requirements, spending and other changes to the Supplemental Nutrition Assistance Program (SNAP) (i.e., federal food stamps), consolidation and overall spending on federal conservation programs, and payment limitations and eligibility for farm program/income support payments.

From a purely political standpoint, the SNAP work/training requirements sought by the House as part of the GOP welfare reform initiative was the ugliest fight and is being used in some House and Senate races by the Democrats as a midterm election issue, nearly killing the bill in committee and again on the House floor. The House bill sought to expand existing work/training requirements for food stamp recipients to a broader swath of "able-bodied" individuals and parents of dependent children, while directing billions to the states to create or refine work/training programs. The Senate changes to SNAP went to closing administrative loopholes, tightening the program, and eliminating opportunities for fraud and abuse. Modifying the states' ability to waive recipient work/training requirements—along with budget magic—was key to mitigating the issue.

To recap my prognostications:

- Congress stays under Republican control albeit with a narrower majority in the House and a few new seats in the Senate
- The United States and China are about to engage in a trade tariff détente, with both sides declaring victory
- NAFTA 2.0 is successfully negotiated and under congressional review, will withstand the political brickbats no doubt to be thrown, and the president will declare victory as he signs the trilateral treaty
- The 2018 farm bill—fresh from a successful, albeit tardy conference committee reconciliation—will be signed by Trump, and all of those suspended programs kick right back into operation.

All of this happens by the end of the year. If I am wrong, blame the Republicans and/or the Democrats and/or the White House. **R**


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Rendering Technology

MASTER YOUR PROCESS

By Nancy Foster, President, National Renderers Association

NRA—The Year in Review

How many times have you thought everything was on track to hit a home run only to find that things were not as they seemed? Maybe a customer changed their mind unexpectedly, a competitor switched strategies, or an animal disease outbreak occurred here or somewhere across the globe. In the rendering world of markets, customers, and politics, conditions are fast-changing and unpredictable.

The National Renderer Association (NRA) works to defend and promote the best interests of United States (US) and Canadian renderers from the pressures of government, regulation, animal disease impacts, international trade rules, customer questions, and media coverage. The association's overall goal is to increase opportunities for its members so they can benefit and thrive in today's challenging marketplace.

This year has been full and rewarding and there is more to come before turning the page to 2019. Industry challenges continue here and abroad as several acquisitions occurred and trade battles escalated between the United States and a number of its strategic international trading partners. Through it all, NRA moved ahead on a clear path, guided by strong industry leadership, staff, and its 2020 Strategic Plan. This plan defines the association's mission, priorities, programs, and use of its valuable resources, both people and funds. NRA's mission is to "advocate for a sustainable food chain, public health, and the environment through the production and marketing of rendered products and services." To accomplish this, NRA:

- Promotes effective public policy, regulation, and technology
- Encourages responsible business practices
- Supports free movement of rendered products in domestic and international markets
- Improves stakeholder awareness and understanding of the value of rendering

NRA is pursuing its mission by focusing on three strategic intentions:

- *People and community*—Advocate understanding and awareness of the value rendering provides to global communities through communication, education, and outreach.
- *Domestic and international markets*—Promote the demand and market access for rendered products to domestic and international customers.
- *Image and value of rendered products and* services—Promote product safety (establish the Animal Protein Producers Industry *Rendering Code of Practice* as the industry standard for rendering facilities and customers) as well as rendering's sustainability and product value.

Over the past year, NRA promoted the rendering industry's interests through its six programs: scientific services, international market development, legislative advocacy, communications and information, membership, and meetings. The organization worked to promote scientific answers to regulators, protect and open new markets for rendered products, and explain rendering on Capitol Hill. NRA staff educated media on rendering and enhanced membership engagement. NRA meetings offered unparalleled opportunities for members to come together for networking and the latest information. Importantly, NRA continued to strengthen its relationships with partner organizations that represent raw material suppliers, affiliated industries, and customers during the year.

The NRA Board of Directors and committees contributed their time and expertise over the year as major decisions were made. They met at the NRA Annual Convention last October in California, a last-minute switch from Puerto Rico after Hurricane Maria devastated the island. They also convened at NRA's Spring Meeting in Vancouver, BC, Canada.

Scientific Services—Food Safety, Regulation, and Research Collaboration

Highlights of the past year in NRA's scientific and technical program include recommendations to the Food and Drug Administration (FDA) about the Food Safety Modernization Act (FSMA) and a popular *Rendering Code of Practice* training in Kansas City, Missouri, that certified another 90 rendering employees for FSMA compliance. The Animal Protein Producers Industry Committee, which promotes the safety and quality of rendered products, transitioned to a new company for sample testing at less cost and improved response time.

To enhance the marketplace, NRA promoted the reputation of rendering as progressive, safe, and FSMA-compliant at meetings of the American Association of Feed Control Officials (AAFCO) during the past year. AAFCO's effort to modernize pet food labels may prove beneficial for renderers and NRA gained support from the American Feed Industry Association (AFIA) and Pet Food Institute (PFI) for a new "poultry protein" definition.

NRA continued to participate in the regulation, feed definitions, and pet food committees of AFIA. Widespread outreach by NRA staff promoted the safety, quality, and sustainability of modern rendering in speeches to groups such as the Pet Food Symposium at the International Production and Processing Expo (IPPE), the Food Waste and Sustainability Conference hosted by the Institute for Food Safety and Health, a veterinary course at Kansas State University (KSU), PFI's annual meeting, and the Feed Additives Americas conference.

Synergies continued between NRA and the Fats and Proteins Research Foundation (FPRF), the industry's research program. Rendering validation research improved the reputation of rendering with customers and FDA. The Pet Food Alliance—which brings together meat companies, renderers, and pet food companies—met several times to discuss common challenges and identify needed research on rendered products in pet food. Results of joint FPRF/PFI research at KSU brought positive news that *Salmonella* is a low risk in animal fat and that heating fat at application should greatly reduce risk. Re-contamination and temperature abuse in transportation and storage of fat, however, can increase risk of *Salmonella*. This information should help renderers and customers work together to ensure safe end products. FPRF's Animal Co-Products Research and Education Center at Clemson University continued to make great strides in odor control, new products, and novel uses for rendered products.

All members of the rendering industry and their business partners are welcome to join the FPRF and support important research to discover answers to industry challenges and find new markets for rendered products. FPRF's early research on biodiesel helped to gain support of the Environmental Protection Agency (EPA) for this fuel, which has emerged as an important market for rendered animal fats and used cooking oil.

During the past year, NRA continued work on sustainability to quantify impacts of rendering practices and products as well as coordinate with PFI. NRA also contributed to a major forthcoming report from the US Department of Agriculture (USDA) on disposal of farm animals in foreign disease control zones, some of which are healthy, that resulted from a workshop last year sponsored by NRA and the department. The report recommends future USDA-funded research on carcass grinding on the farms of origin as a way to overcome the many obstacles in handling and transporting infected materials to rendering cookers where the organisms would be destroyed.

Promoting Exports

Growing overseas sales of rendered products is a key initiative at NRA. The association's international market development program works to gain increased foreign market access, prevent overseas market closure, and facilitate export movement. NRA's overseas offices in Mexico City, Mexico, and Hong Kong, China, conduct ongoing trade servicing efforts, trade teams, and market access efforts on behalf of the industry. The association's international consultants promote and safeguard US and Canadian interests.

NRA staff maintains contact with USDA's Foreign Agriculture Service and Animal Health Inspection Service (APHIS) about trade negotiations, including free trade agreements and technical trade barriers. NRA also engages these agencies to resolve export issues for individual members. The association coordinates with AFIA and PFI regularly on trade issues.

As sustainability has gained attention among international customers, NRA became a member of the U.S. Sustainability Alliance, which promotes agricultural sustainability and conservation practices to protect natural resources (https://thesustainabilityalliance.us/).

Rising international trade tensions between the United States and several major trading partners has been a challenge this year. As of this writing, China said it would impose tariffs on $60 billion more US products in retaliation against President Donald Trump's announcement that the United States will raise tariffs on $200 billion in Chinese goods. Unfortunately, China included US rendered products and hides on its retaliation list, effective September 24, 2018. NRA is closely monitoring this situation as the US-China relationship evolves (see "Rendered Products Targeted in Trade War" on page 8).

Continued on page 26

Association *Continued from page 25*

An atypical case of bovine spongiform encephalopathy was reported in Florida in August. Importantly, no trade problems for rendered products resulted from this discovery.

Indonesia is an important export market for rendered products and NRA worked this year to increase the number of rendering plants eligible to export to this market. Several plant audits by Indonesian officials were planned and then cancelled. Porcine material was allegedly detected in US ruminant proteins upon import.

NRA continued work to promote market access for bovine meat and bone meal (MBM) in Central and South America during the past year. Mexico's national service of health, food safety, and agri-food quality, SENASICA, submitted import requirements to APHIS and NRA is advising the agency on workable requirements for renderers. NRA also advocated for new market access for bovine MBM into Peru, Colombia, and Ecuador. When this article was written, negotiations were expected to be underway in September to gain market access for bovine MBM to Peru and Ecuador. The US government has submitted a market access request to Colombia and negotiations with APHIS are expected this fall.

Gaining the ability to export non-ruminant proteins to Taiwan and Japan has also been a priority of NRA's international market development program. NRA hosted an official Taiwan audit team and negotiations are underway for import requirements. Taiwan asked that third-party handlers be inspected and approved by APHIS, which is lengthening the negotiations. NRA is consulting with APHIS on market access for poultry proteins and tallow to Japan for pet food use. NRA visited Tokyo in September to meet with government officials and major importers in order to gain support. APHIS has nearly completed negotiations to establish import requirements.

NRA successfully encouraged APHIS to submit a market access request to China for gel bone. The process to enter the market will likely be lengthy.

An NRA mission to London, England, and Brussels, Belgium, occurred in June to follow up on last year's work to keep the European Union (EU) market open for imported used cooking oil. Imports of gelatin and gel bone were also discussed with EU gelatin manufacturers and subsequently with APHIS. NRA continued to coordinate with EU biofuel producers and government officials to help ensure the market remains open for used cooking oil imports.

To increase the awareness of rendered products, NRA sponsored a number of meetings in key markets. These included the China Pet Food Alliance convention in April, the China Fur Animal Industry Association conference in July, a national meeting of the feed industry in Mexico, and the annual Global Aquaculture Alliance conference in Ecuador this fall. NRA also hosted workshops in Vietnam and Thailand.

The rendering industry discussed proposing an alternative time/temperature cooking requirement for export negotiations between the US government and foreign countries. Additional background information is being compiled and work on this project will continue later this year.

Since US trade policy significantly affects the rendering industry's market access overseas, this author and NRA International Programs Vice President Kent Swisher serve on two USDA trade advisory committees. The committees provide trade policy recommendations to Secretary of Agriculture Sonny Perdue and US Trade Representative Robert Lighthizer.

Political Advocacy for Rendering

Every four or five years, Congress tackles the monumental task of rewriting US law that supports farm income, conservation, trade, nutrition feeding programs, rural development, forestry, and a host of other programs. The result is a new farm bill. The process is a multi-year tug of war between different interest groups over the goals of each program and how much money is available to achieve them.

This year's farm bill includes two provisions that directly affect rendering. It authorizes the Foreign Market Development program and the Market Access Program, two USDA export grant programs that provide funds for foreign market development and export promotion of rendered products. The bill also provides funding for pilot programs to recycle urban food waste into compost for urban agriculture. NRA is concerned that government incentives to collect food waste will siphon away meat, bone, and used cooking oil from rendering into the production of lower-value compost. NRA supports a level playing field among recyclers and believes government should not promote anticompetitive measures that distort the marketplace. The association is working to resolve this provision in the farm bill.

In June, renderers came to Washington, DC, for NRA's Annual Fly-in. They were briefed by senior government officials and other experts on biodiesel, the agricultural economic outlook, trade challenges, and FDA's regulation of rendered products. Renderers also urged their legislators to support the Renewable Fuel Standard (RFS) and biodiesel tax credits, export programs in the farm bill, and a good North American Free Trade Agreement. They explained the harmful impact food waste legislation could have on the rendering industry.

NRA continued to partner with the National Biodiesel Board during the past year to advocate government policies that encourage continued growth of biodiesel production. NRA submitted regulatory comments to EPA this summer urging a higher RFS to provide predictability and support to the relatively young biodiesel industry. NRA urged Congress to continue federal tax credits for biodiesel, renewable diesel, and alternative fuel mixtures.

NRA also monitored legislative proposals regarding their impact on the rendering industry. Association staff continued to be active in a number of Washington, DC, coalitions to promote the interests of rendering and leverage NRA's goals for broader support.

Communications—Branding the Rendering Industry

Sustainability continues to be a major focus of NRA's communications program. Rendering's sustainability benefits are powerful and were promoted to Congress and regulators this year. NRA connections with media also provided opportunities to educate about rendering's sustainability, including recycling, safety, environmental benefits, and responsible resource use. Over the past year, compelling sustainability branding messages were developed:

- *People use rendered products every day.* The protein, fats, and oils from rendering are used to produce animal food, biofuels, soaps, cosmetics, pharmaceuticals, consumer goods, and industrial products. Renderers upcycle leftover animal by-products into ingredients for these value-added new products. This reuses natural carbon to make lives better. Nothing is wasted.

- *Rendered products increase sustainability for customers across the marketing chain.* Rather than being wasted, leftover animal by-products not eaten by people are recycled for valuable uses.
- *Rendering makes animal agriculture more sustainable.* Pet food and other animal food using rendered proteins and fats (energy) conserve crop acres and leaves human food for people.
- *Rendering's intense heat makes safe animal food ingredients.* Rendering is a solution to animal food safety. A potential problem becomes an advantage by using scientifically-proven methods.
- *Biofuels are made from rendered fats and recycled cooking oils.* This is another way every part of the food animal benefits society and used cooking oils do not spoil the environment or damage municipal water systems.
- *Rendering returns large amounts of clean water to the environment*. Four billion gallons of water is returned annually in the United States.
- *Renderers are important members of their community.* Renderers create jobs and improve society and the environment.
- *Rendering affects each of us.* Some 2,025 square feet (the size of an average house) of new cropland would be needed per person in the United States to replace rendered products. Unlike crops that require added water to grow, rendering returns 16 gallons (121 half-liter bottles) per person of clean water to the environment.

NRA focused on increased communications and support for members during the past year. Heather Davis joined the NRA staff as coordinator of member relations and operations. From Iowa, she brought administrative experience paired with an education in environmental science. Membership materials were created as well as the *NRA Update*, a new monthly publication of rendering news and information sent to all members. A new NRA member logo was developed and made available for member use. The logo distinguishes members in the marketplace and makes a public statement that the member is a leader in the industry (if you are an NRA member and would like to use the logo, please contact Davis at hdavis@nationalrenderers.com).

New infographics were developed telling "The Story of Rendering" and the vast number of products made from rendered ingredients. They were used in NRA outreach and are posted online at NRA's website at www.nationalrenderers.org. Plans were laid for development of a fresh, new website to connect with consumers.

Early this fall, Nicole Ryan joined the NRA staff as director of communications. Ryan's experience includes work in public and media relations for the National Rifle Association and several other trade associations. Dr. Jessica Meisinger, who started NRA's communications program six years ago, left the association to accept another opportunity in animal agriculture. We wish Meisinger the best in her new endeavors and welcome Ryan to rendering.

Membership and Meetings

NRA membership remained strong during the past year, despite several company acquisitions. Caviness Beef Packers was welcomed as a new active rendering member along with a number of new associate/allied members. NRA organized opportunities for members to connect at the IPPE conference in Atlanta, Georgia, last January and developed promotional tools to drive attendees to member booths. Young rendering leaders were encouraged to participate in association activities.

NRA's meetings are a highlight of membership in the association. Renderers and their business partners gather to discuss industry happenings and learn about current issues. They come away with the latest intelligence for business planning and personal industry connections. NRA's Annual Convention each October offers over 20 different meetings on rendering topics, featuring speakers on coming trends and offering engaging networking opportunities.

All in all, it has been a busy and productive year. NRA is strong with member support and active participation. The team of NRA staff and consultants are dedicated professionals who are experts in their field and passionate about rendering. The past year showcased just how NRA connects its members to the information, resources, programs, and advocacy they need to help them succeed. If you are not an NRA member yet, we would like to welcome you soon. NRA's Heather Davis can get you started (hdavis@nationalrenderers.com, 703-683-0155). You can also learn more about NRA's membership benefits online at www.nationalrenderers.org/about/membership. **R**

By Joe Gershen, Encore BioRenewables

Industry Urges EPA to Set Higher RFS Volumes

In mid-August, the National Renderers Association (NRA), National Biodiesel Board (NBB), and others filed comments on the Environmental Protection Agency's (EPA's) proposed Renewable Fuel Standard (RFS) renewable volume obligations (RVOs) for advanced biofuels for 2019 and biomass-based diesel volumes for 2020. In their comments, NRA and NBB urged EPA to increase the volumes in both categories in its final rule and to fully account for small refinery exemptions.

In a letter to EPA, Nancy Foster, NRA president and chief executive officer, commented, "The rendering industry supplies 28 percent of the feedstock for US [United States] biodiesel production. Biomass-based diesel production has become an increasingly important market for US renderers in recent years.

"By encouraging increased collection and recycling of used cooking oil for use as a biodiesel feedstock, the RFS also helps to protect public health and water quality. The stronger the RFS volumes, the less incentive exists for improper used cooking oil disposal (such as pouring it down restaurant drains or dumping).

"Livestock producers benefit from the RFS for biomass-based diesel since demand for rendered animal fat enhances the value of the by-products from their animals," NRA's comments stated. "US exports of animal fats and oils have declined in recent years, largely due to a sustained global oversupply of competing oils and foreign trade barriers. The US biodiesel industry has emerged as an important replacement market.

"As a result of its low carbon-producing benefits, biomass-based diesel qualifies as the only domestically produced, commercial-scale fuel capable of meeting the advanced biofuel mandate of lower GHG [greenhouse gas] emissions. Rendered animal fats and UCO contribute to this benefit," Foster stated in NRA's regulatory comments.

Kurt Kovarik, vice president of NBB federal affairs, wrote in the board's comments submitted to EPA, "The biomass-based diesel industry has proven year after year that it can deliver increasing volumes. We appreciate the agency's recognition of that fact and welcome the signal of growth in the proposed rule. NBB asks that you fully support the industry's growth by setting the biomass-based diesel volume for 2020 at 2.8 billion gallons and increasing the 2019 advanced biofuel volume to allow growth." NRA aligned itself with NBB's formal regulatory remarks submitted to EPA.

NBB's comments demonstrated that the increased biomass-based diesel volume is achievable with available feedstocks. For instance:

- US Department of Agriculture World Agricultural Supply and Demand Estimates in August forecasted soybean ending stocks for the 2018 marketing year at 785 million bushels, an increase of 400 million bushels from the June forecast. This increase of projected soybean stocks represents more than 600 million gallons of potential biodiesel production.

"The biomass-based diesel industry has proven year after year that it can deliver increasing volumes." ~NBB

- LMC International, a global business consultancy for agribusiness, estimates that distiller's corn oil output will exceed 4.4 billion pounds in 2018. NBB estimates that supplies not currently utilized for biodiesel production represent more than 130 million gallons of additional potential production.
- LMC International also projects that the global waste oil supply will grow from 29.0 million metric tons in 2017 to 31.9 million metric tons in 2020, which would be enough to create 9.6 billion gallons of biodiesel.
- The National Renderers Association foresees rendered fat supplies (animal fats and used cooking oil) to increase by 14 percent over the next decade.

"Most importantly, once EPA has set the annual volumes, it must ensure they are met," Kovarik stated. "The volumes EPA ultimately finalizes will be meaningless if the agency continues to retroactively reduce them through small refinery exemptions. The certainty that biodiesel producers need includes an assurance from EPA that the volumes it establishes will be met."

The industry thanked 39 US Senators who sent a letter to EPA Acting Administrator Andrew Wheeler urging him to increase biomass-based diesel and advanced biofuel volumes and accurately account for small refinery hardship exemptions in the annual RFS. Specifically thanked were Senators Patty Murray (D-WA), Roy Blunt (R-MO), Heidi Heitkamp (D-ND), and Chuck Grassley (R-IA) for leading the letter.

Noting that EPA proposes to set the 2020 biomass-based diesel volume at 2.43 billion gallons, the Senators wrote, "While these proposed increases are encouraging, these volumes continue to underestimate the existing potential of the biodiesel and renewable diesel industries in our states. We believe the biodiesel industry can do more and that EPA should demonstrate more confidence in the RFS program's ability to drive growth."

Calling on EPA to accurately account for small refinery hardship exemptions, the Senators added, "It is critical that EPA appropriately account for any small refiner economic hardship exemptions that it reasonably expects to grant during the 2019 compliance year in the final rule, or EPA will not be able to fulfill its duty to ensure RVOs are met."

NRA and NBB joined the Senators in calling on EPA to raise biomass-based diesel volumes to an appropriate level that will drive additional growth, noting that biodiesel production has consistently exceeded the annual RVOs set by EPA. The industry continues to operate below capacity, which limits job creation and economic growth.

Fraud Cases Still Continue

Three notable biodiesel criminal cases recently made headlines.

First, on August 8, Calvin Glover, owner of Colorado-based renewable fuel company Shintan Inc., pleaded guilty to conspiracy to impair and impede the Internal Revenue Service (IRS) for his role in a $7.2 million biodiesel tax credit scheme.

According to court documents, Glover conspired with others to file more than $7 million in false claims for the biodiesel blender's tax credit, signing at least 23 false tax returns. After receiving the refund checks, Glover deposited them into a bank account that he controlled and then transferred the proceeds to his co-conspirators.

In response to two grand jury subpoenas issued during the investigation, Glover provided false documents and information to investigators and met with co-conspirators to concoct a false story, all intended to obstruct the IRS's ongoing criminal investigation, according to the Department of Justice (DOJ). Glover faces a maximum sentence of five years in prison in addition to supervised release, restitution, and monetary penalties.

Secondly, on August 24, a federal grand jury in Utah indicted Washakie Renewable Energy (WRE) Chief Executive Officer Jacob Kingston, Chief Financial Officer Isaiah Kingston, and California-based fuel company NOIL Energy Group owner Lev Aslan Dermen of falsely claiming more than $511 million in renewable fuel tax credits, per DOJ. The indictment states the trio schemed to file false claims for the tax credits that caused the IRS to pay out more than $511 million to WRE in 2013. Jacob Kingston was separately charged with filing nine false claims for refunds on behalf of WRE that same year. The government provided the tax credits to encourage the production of biomass-based diesel.

DOJ stated that, as part of the fraud to obtain the fuel tax credits from 2010 through 2016, allegedly the defendants routinely created false production records and other paperwork in qualifying renewable fuel transactions along with other false documents. To make it appear that qualifying fuel transactions were occurring, the government alleged that the defendants rotated products through places in the United States and in at least one foreign country. The defendants also allegedly used "burner phones" and other covert means to communicate during the scheme, according to DOJ.

The indictment also charged that the defendants laundered part of the illegal proceeds through a series of financial transactions related to the purchase of a $3 million personal residence for Jacob Kingston. Separately, the government stated that Jacob and Isaiah Kingston allegedly laundered about $1.7 million in scheme proceeds to purchase a 2010 Bugatti Veyron. Jacob Kingston and Dermen are separately charged with money laundering related to an $11.2 million loan funded by scheme proceeds.

If convicted, the defendants each face a maximum of 10 years in prison for each money laundering count, and Jacob Kingston faces a maximum of three years in prison for each false tax return count. They all also face a period of supervised release, monetary penalties, and restitution.

Thirdly, on August 27, the owner of a New York-based renewable fuels company was sentenced to 63 months in prison, followed by three years of supervised release, and ordered to pay more than $26 million in restitution for his role in a renewable identification number (RIN) scheme that involved $47 million in fraudulent RINs and more than $12 million in fraudulent tax credits, DOJ announced.

Gregory Schnabel, owner of GRC Fuels of Oneonta, New York (described by DOJ as "a company that buys and sells renewable fuel and fuel credits"), pleaded guilty in 2017 to conspiracy charges for his role in the scheme that had resulted in the earlier guilty pleas of other people accused of wrongdoing related to the scheme. The pleas were the result of an investigation by three federal agencies.

DOJ stated that Schnabel and the other defendants fraudulently claimed RINs and tax credits "on fuel that did not qualify for the credits, on fuel that had already been used to generate credits, and on fuel that was exported or otherwise used contrary to EPA [Environmental Protection Agency] and IRS regulations."

The other defendants who pleaded guilty in connection with the scheme were Fred Witmer and Gary Jury, formerly of Triton Energy; Malek Jalal, formerly of Unity Fuels; and Dean Daniels, William Bradley, Ricky Smith, and Brenda Daniels, of New Energy Fuels and Chieftain Biofuels.

Oregon Clean Fuels Program Upheld in Court

On September 7, 2018, the United States Court of Appeals for the Ninth Circuit upheld a district court's dismissal of a complaint challenging the Oregon Clean Fuels Program (CFP) as unconstitutional. In the 2-1 decision, the panel affirmed the lower court's decision to dismiss a lawsuit filed by the American Fuel and Petrochemical Manufacturers (AFPM), American Trucking Association, and Consumer Energy Alliance that claimed the CFP violated the Commerce Clause of the Constitution and was preempted by the Clean Air Act. The ruling came roughly six months after the circuit court panel heard oral arguments in the case. The CFP, modeled after California's Low Carbon Fuel Standard, is designed to reduce carbon intensity of transportation fuels in Oregon 10 percent by 2025 from a 2015 baseline.

The case, *American Fuel & Petrochemical Manufacturers, et al v. Jane O'Keeffe, et al.,* was filed in March 2015 and dismissed by the US District Court in Oregon the following September. AFPM appealed the decision to the circuit court in July 2017.

In its decision, the circuit court stated that while the program does discriminate, it does so by design and is based on greenhouse gas emissions rather than, as AFPM argued, the origin of the fuels. AFPM has asserted that out-of-state fuels and Midwest ethanol received higher carbon intensity scores than Oregon biofuels, putting them at a disadvantage, but the panel rejected AFPM's claim that the program's assignment of carbon intensity credits and deficits was improperly discriminatory.

Continued on page 31

By Fernando Mendizabal
President, World Renderers Organization

Opportunity to Validate the "Green" Industry

During the European Fat Processors and Renderers Association (EFPRA) Congress held in Barcelona, Spain, in June, Dr. Sebastian Csaki of the International Feed Industry Federation (IFIF) gave a presentation on the Global Feed LCA (Lifecycle Analysis) Institute (GFLI). He shared how GFLI is developing a publicly available feed lifecycle analysis database and tool to calculate the environmental footprint of livestock products to improve accuracy when reporting the real impact of livestock on the environment.

Some years back, the Food and Agriculture Organization (FAO) developed the Livestock Environmental Assessment and Performance (LEAP) Partnership with sector-specific guidelines to assess the environmental performance of livestock supply chains. Several countries, especially large meat-producing countries, and non-governmental organizations joined this multi-stakeholder initiative. Among others who signed on were IFIF, the World Wildlife Fund, International Meat Secretariat, International Dairy Federation, International Poultry Council, International Egg Commission, and International Council of Tanners. This alliance of countries, non-governmental organizations, and large trade groups shows the importance of this project at every step of the entire feed chain.

GFLI has a partnership with FAO and is following the same methodology of LEAP as well as developing a Product Environmental Footprint. These projects are led by a consortium of feed associations and companies, ensuring global consistency. The platform will enable a broader assessment of animal products. These efforts are made under a regional or sectoral methodology, with projects currently being conducted in the European Union and United States/Canada and one project focused on fish feed ingredients.

Csaki had previously invited the World Renderers Organization (WRO) to participate in the development of methodology to measure the environmental footprint of the rendering industry. The proposal was presented to WRO members during its annual meeting in Barcelona. Due to different visions on the convenience of participating in an effort such as this, a decision was made to link interested country members with GFLI. At this moment there are conversations between GFLI and several rendering organizations, including the Asociacion Nacional de Rendidores in Mexico and EFPRA country members, who are working to deepen an understanding of the methodology and its scope.

When conversations between industries converge on sustainability, it provides an opportunity to demonstrate under an international valid methodology how "green" the rendering industry is. WRO will share any advancement on this matter.

Chilean Audit in Brazil

Part of WRO's mission is to communicate advancements by the industry on a global scale. The following is news shared by WRO's Brazilian member, Associacao Brasileira de Reciclagem Animal (ABRA).

In September, a Chilean delegation audited rendering plants in Brazil. ABRA organized and attended the inspections by the agriculture and livestock service of Chile (Servicio Agrícola Ganadero). Together with the agriculture, livestock, and supply ministry of Brazil (Ministério da Agricultura Pecuária e Abastecimento), the delegate's purpose was to renew and approve new rendering facilities to export animal meals and fats to Chile. Ten factories were audited in this round in the following states: Rio Grande do Sul, Santa Catarina, Paraná, and São Paulo. Chile is a major export market for Brazilian rendered products. Approval by an official Chilean audit is a prerequisite to export. This is the third Chilean visit that ABRA has organized and attended this year.

In August, ABRA held its tenth hygienic training program in Campinas, São Paulo, with 40 professionals who work in the Brazilian rendering industry in attendance. The training focused on the rendering process, why rendered products are safe, and what must be done to keep them safe, and focused on several topics such as microbiology, thermal inactivation, cross-contamination, hygienic equipment, cleaning procedures, proper collection, and adequate microbiological control programs. All training prepares workers for the implementation of a feasible hazard analysis and critical control point program in a rendering facility.

More than 360 professionals have been trained since ABRA's program began, with the next session scheduled for November 6-9, 2018, in Florianópolis, Santa Catarina. **R**

Biofuels *Continued from page 29*

Renewable Diesel Plants Slated for Nevada

Ryze Renewables has begun construction of two renewable diesel production facilities in Nevada. Once operational, these plants will manufacture high-cetane renewable hydrocarbon diesel (RHD) fuel from agricultural oils and animal fats using a patented hydrogenation technology that the company claims is more efficient than current conversion processes.

Ryze has partnered with Phillips 66 for the two projects, which combined are expected to produce a 11,000 barrels per day of RHD for the Western US and Canadian markets. Through a long-term supply and offtake agreement, Phillips 66 will provide both plants with feedstock and distribute the renewable product from the facilities to customers.

The first plant, in Reno, is expected to be online by mid-2019 while the second facility, in Las Vegas, is anticipated to be operational in early 2020. Construction of the two plants will create more than 750 construction jobs, and once completed will add more than 140 permanent full-time positions in the Reno and Las Vegas areas.

RHD does not need to be blended with traditional diesel fuel like biodiesel, although there is far less RHD produced globally than biodiesel.

UK Biodiesel Producer Expands

Argent Energy Netherlands B.V. has reached an agreement to acquire the biodiesel production, tank storage, and cleaning facilities of Simadan Group in Amsterdam, the Netherlands. The deal's completion is subject to various conditions being met, including the agreement to the transaction from regulatory authorities.

Argent Energy is involved in large-scale commercial biodiesel production in the United Kingdom (UK) utilizing recycled cooking oil and tallow. The company has also pioneered the use of low-grade waste fats and oils, such as "fatbergs," from the UK water industry.

The addition of Simadan Group's facilities allows Argent Energy to expand its business outside the UK. **R**

Discussion of California Regulations Continues

By James McGibbon

Members of California's Rendering Industry Advisory Board were busy as ever in September during a meeting in Sacramento, California. A number of topics were addressed, with Senate Bill (SB) 1383, addressing the state's organic waste disposal, still at the forefront of concerns.

Leading off the meeting were two presentations by Dr. Kent Fowler, branch chief at the California Department of Food and Agriculture's (CDFA) Animal Health and Food Safety Service division. The first provided information regarding barbiturate-based euthanasia, and the second focused on an outbreak of Virulent Newcastle Disease in Southern California.

Barbiturate-based euthanasia has become an important issue for renderers, and while this meeting's discussion was California-centric, the concerns are nationwide. This is due to a United States Food and Drug Administration (FDA) rule established in February of this year prohibiting any trace of sodium pentobarbital in rendered products. Before February, it was an allowable substance in trace amounts, although a threshold had not been defined. This makes the sudden outright ban puzzling. While there are other options for euthanasia (i.e., potassium chloride and active bolt), sodium pentobarbital is considered the best option. Communicating to FDA how best to regulate its presence in rendered products is a priority.

When disposing of euthanized animals, there are several options, but rendering is considered the most desirable. As the new rule governs rendered products specifically, jeopardy is shouldered by the renderer. The response is twofold: first, requests will be made to FDA to establish a tolerance level for an allowable amount of sodium pentobarbital in rendered products, and second, renderers need to establish a reliable method of identifying animals euthanized by sodium pentobarbital in order to be compliant with FDA rules. These two approaches ensure protection for industry members regardless of FDA's response.

Fowler's second presentation was less significant for rendering, but provided important information nonetheless. Following an outbreak of Virulent Newcastle Disease in Los Angeles county and surrounding areas, state agencies responded and have successfully brought the outbreak under control. The disease is highly infectious for chickens, with other types of birds being susceptible at different levels. The only treatment for infected animals is euthanasia. The outbreak was restricted to chickens belonging to poultry hobbyists (backyard chickens) and did not spread into the commercial bird population.

Much discussion continued regarding SB 1383, a carryover from the last board meeting. The concerns were over language in the bill that directs counties to which materials are relegated to composting and other recycling methods and which are steered toward rendering. Correct food waste characterization is important to ensure proper recycling by rendering companies. A commitment was made between state agencies and rendering industry representatives to keep each other informed and up-to-date on SB 1383's continuing evolution.

Also of interest was an update on enforcement activities of the state's grease theft regulation. Details gave the assurance that renegade rendering operations, regardless of what level, are investigated and dealt with appropriately by CDFA. A new website for the grease theft program is under development by the Meat, Poultry, and Egg Safety Branch of CDFA to provide clear information for rendering businesses, including easy access to forms and legal material. **R**

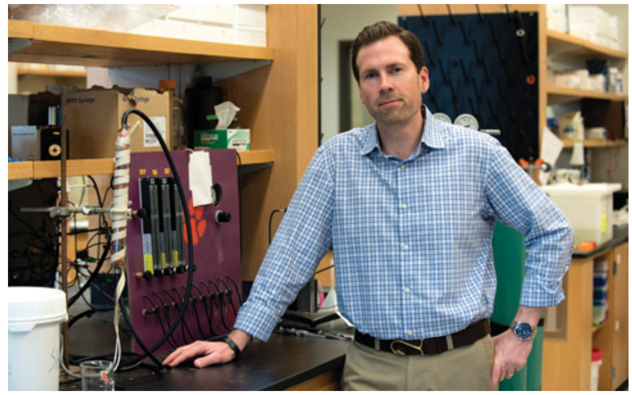
By Annel K. Greene, PhD, Professor and Center Director
Clemson University Animal Co-Products Research and Education Center

Groundwater Remediation using Rendered Products

Dr. Kevin T. Finneran, associate professor in the Environmental Engineering and Earth Sciences department at Clemson University and a member of the Animal Co-Products Research and Education Center, has developed new technology for utilizing rendered products for remediating contaminated groundwater and environmental sites. Groundwater contamination is a significant problem impacting many areas of the world. Approximately 75 percent of current bioremediation techniques use materials, such as soybean oil, that are sold at a premium and in high volume for the creation of commercial electron donor blends. Lipid materials are able to donate electrons and detoxify contaminant(s) through the actions of naturally occurring microorganisms in the soil. In contaminated sites such as those with trichloroethylene (TCE) and/or hexavalent chromium, the electron donors are used to decontaminate groundwater.

Finneran has conducted laboratory scale studies that indicate rendered products stimulate microbial activity and therefore biodegradation of TCE. His results indicate that products such as dissolved air flotation by-products, brown grease, and tallow accelerate the rate and extent of microbial activity and, thus, the biodegradation of contaminants. He has found that all are better than the currently available commercial remediation amendments. All of the rendered products tested thus far have stimulated microbial degradation of TCE. These materials can be applied using groundwater injection wells or as a "permeable reactive barrier," which is a large trench excavated perpendicular to groundwater flow. These barriers can utilize tens of thousands of pounds of reactive material for the largest applications. In this scenario, rendered products would be added to the trench and naturally-occurring soil bacteria would utilize the components as electron donors to detoxify contaminants as the groundwater flows through the barrier.

Finneran anticipates the use of rendered product bioremediation will become its own specific niche market within environmental remediation practices. As the unit price of rendered products is considerably lower than current soybean oil-based and all other commercial electron donors, Finneran predicts a new multi-million dollar market for renderers while also opening new markets for environmental remediation industries that previously avoided utilizing natural-based, bioremediation techniques because of expense.



Dr. Kenneth T. Finneran

In addition to his role at Clemson University, Finneran serves as a private consultant for contaminated site remediation projects through his company Finneran Environmental LLC. In this role, he has worked closely with a number of remediation companies as well as clients who face the need to remediate contaminated sites.

Using the assistance of the Technology Transfer Office at Clemson University, Finneran has obtained a provisional patent on the use of rendered products in remediation of contaminated groundwater sites. The next step in the process will be to obtain a full patent in the United States and other countries of interest. Clemson University negotiates for licensing of technologies and will offer this technology for licensing first to rendering industry members of the Clemson University Animal Co-Products Research and Education Center. Licensing can be negotiated for worldwide use or for a specific country/region and/or even certain bioremediation applications or products. Licensing agreements typically include reimbursement to Clemson University for patent protection expenses. With the issuing of the provisional patent, this technology is available for licensing. **R**

Insect Meal Receives FDA Nod for Poultry Diets

The United States (US) Food and Drug Administration (FDA) has recommended amendment of the Association of American Feed Control Officials ingredient definition of dried black soldier fly larvae (BSFL) to include feeding to poultry.

Research conducted by EnviroFlight on broiler chickens with Dr. Kimberly Livingston, assistant professor in Nutrition, Immunology, and Physiology at North Carolina State University, and on laying hens with Dr. Paul Patterson, professor of poultry science at Penn State University, supports the value of these ingredients for inclusion in feed for poultry species. This research was performed with ingredients produced at the EnviroFlight facility that have met the highest quality standards established by the Food Safety Modernization Act (FSMA).

EnviroFlight will be supporting this new market opportunity with the first US-based, pet food grade, FSMA compliant facility opening later this year. The Maysville, Kentucky, facility will have the capacity to produce up to 3,200 metric tons per year of dried BSFL. EnviroFlight LLC is a joint venture between Intrexon Corporation and Darling Ingredients Inc. **R**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By Mark A. Lies II and Daniel R. Birnbaum
Seyfarth Shaw LLP

Reducing the Risk of an OSHA Repeat Citation

Editor's note – Mark A. Lies II is a partner with the Chicago, Illinois, law firm of Seyfarth Shaw LLP who focuses his practice in the areas of occupational safety and health, and related employment litigation. Daniel R. Birnbaum is an associate with Seyfarth Shaw whose practice focuses on both occupational safety and health, and related employment and labor matters.

Individual circumstances may limit or modify this information.

The Occupational Safety and Health Act of 1970 is enforced by the Occupational Safety and Health Administration (OSHA) that has the duty to inspect workplaces and issue citations if it determines an employer is in violation of the act. Most employers cited are frequently tempted to settle a citation quickly at the informal conference for a reduced penalty rather than contest the citation. Foregoing potential factual and legal defenses for a quick and easy resolution of a citation, however, can create a much larger risk in the future: a repeat citation with substantial monetary penalties.

A repeat citation can carry a penalty of up to $129,336 per citation item and will continue to increase annually in line with the consumer price index. Traditionally, a repeat citation would be issued when OSHA had previously cited the employer for a "substantially similar condition" and the Occupational Safety and Health Review Commission (OSHRC) had affirmed the previous citation.

Recently, a significant ruling from OSHRC increased OSHA's evidentiary burden to prove a repeat violation. This article will discuss what constitutes a repeat citation, OSHRC's recent decision involving a repeat citation that was favorable to employers, and practical advice and best practices for minimizing the risk of a repeat citation.

What is a Repeat Citation?

A repeat citation is a type of violation for which OSHA may cite an employer under section 17(a) of the act if, as the name implies, OSHA has previously cited the employer for a substantially similar condition and OSHRC has affirmed the previous citation (*Secretary of Labor v. Potlatch Corp.*, 1979). Many employers are unaware of the nature of the various types of citations (i.e., General Duty Clause violation and/or violation of specific regulation) that can be considered substantially similar to form the basis for repeat citations. For example, OSHA can issue a repeat citation under the General Duty Clause or base a repeat citation on a previous violation. (A General Duty Clause violation under Section 5(a)(1) of the act is not based upon a previously promulgated standard or regulation to address a defined "hazard;" rather, OSHA only has to prove that there is a "generally recognized hazard likely to cause serious injury or death" to an employee.)

In its *Field Operations Manual* (FOM), OSHA states that, "hazards presenting serious physical harm or death may be cited under the General Duty Clause (including…repeated violations that would otherwise qualify as serious violations)." In addition, OSHA can base a repeat citation of a specific regulation upon a prior citation under the General Duty Clause.

For those employers with more than one facility or worksite, an alleged repeat violation can occur at any of the employer's facilities or worksites nationwide in federal jurisdictions, regardless of where the initial citation occurred. OSHA must use federal citations as the basis for a repeat citation. The FOM states that "[p]rior citations by state plan states cannot be used as a basis for federal OSHA repeated violations. Only violations that have become final orders of the review commission may be considered." It should be noted that prior OSHA citations issued by a state OSHA program can be used by federal OSHA to establish a willful violation.

OSHA maintains a national online database, available to the public at www.osha.gov/pls/imis/establishment.html, on which an OSHA compliance officer can (and does) search for any citations previously issued to an employer anywhere in the country.

While there is no statutory limit concerning the length of time between the date when the repeat citation is issued and the date of the previous citation on which the repeat classification is based set out in the act, OSHA's policy states that the following shall generally be followed:

A citation will be issued as a repeated violation if:

a. The citation is issued within five years of the final order date of the previous citation or within five years of the final abatement date, whichever is later; and
b. If the previous citation was contested, within five years of the review commission's final order or the court of appeals final mandate.

This reflects a recent change to OSHA's policy, as prior to 2016 the time limitation was three years. Despite this amended policy, OSHA has not always followed its own policy and the review commission has held that the time limitation contained in OSHA's *Field Inspection Reference Manual* cannot be used as a defense to a repeat citation. (OSHA's repeat citation policy was previously contained in its *Field Inspection Reference Manual*, which was replaced with the FOM in 2009.)

As indicated, repeat violations can carry proposed penalties of up to $129,336. Thus, to an uninformed employer, it may appear that a harmless "serious" or "other than serious" citation, with a nominal proposed monetary penalty, may be settled as a seemingly inconsequential matter.

Such action, however, may lay the foundation for a subsequent repeat citation and a $129,336 penalty at any of an employer's facilities or worksites across the nation for years to come.

For this reason, informed employers who realize this potential exposure are now aggressively defending any citation that is not factually or legally valid.

What OSHA Traditionally Must Show to Establish a Repeat Violation

OSHA has the initial burden of proof to demonstrate that the subsequent citation is substantially similar to the previous citation. The principle factor to be considered when determining whether a violation is repeated is whether the prior and instant violations resulted in substantially similar hazards (*Secretary of Labor v. Stone Container Corp.*, 1990). Therefore, OSHA can attempt to meet its initial burden merely by demonstrating that the previous and current citations allege violations of the same standard (*Secretary of Labor v. Wal-Mart Super Center*, 2003). Unfortunately, the potential employer liability can be expanded because the two citations do not have to fall under the same specific standard. This issue is clearly illustrated in the case of *Potlatch*, which sets forth the standard in determining whether OSHA has properly classified a citation as repeat, including the following example of two citations of separate standards that would nonetheless qualify as a repeat violation:

> If two employees performing construction work, such as painting, were exposed to a 20 foot fall from an unguarded scaffold, the employer would be in violation of 29 *Code of Federal Regulations* (CFR) Standard 1926.451(a)(4); a subsequent citation based on exposure of the same employees to a 20 foot fall while using the same unguarded scaffold to replace light bulbs would be a violation of 29 CFR Standard 1910.28(a)(3) (*Potlatch*).

In addition, the employees and the scaffold described in the *Potlatch* example above do not have to be the same. Rather, the two citations can involve different employees at completely separate facilities across the country. Thus, anytime an employer voluntarily accepts a citation, including an informal settlement, OSHA may use the citation as the basis for a repeat citation involving not only the same standard, but also any substantially similar hazard in any of the employer's facilities anywhere in the country.

Enhanced OSHA Burden to Establish a Repeat Citation

On September 30, 2008, OSHA issued a citation to Angelica Textile Services Inc., a commercial laundry, alleging 10 serious and four repeat items. After the parties filed cross motions for summary judgment, Administrative Law Judge John H. Schumacher issued a decision affirming two of the serious items and vacating the remaining 12 items. The secretary of labor appealed, arguing that the judge improperly vacated two repeat citations that alleged deficiencies of permit-required confined spaces (PRCS) and lockout/tagout (LOTO) procedures.

On July 24, 2018, nearly a decade after the citations were issued, OSHRC affirmed the previously vacated citation items, but characterized and reclassified them as serious rather than repeat violations and issued a single reduced penalty of $7,000. Most importantly, the majority opinion refined the definition of what OSHA must prove to establish a repeat violation. Previously, OSHA took the position that all it had to show to meet the substantially similar condition was merely the same type of equipment, process, or regulation that was involved in the prior violation. The review commission clarified that a showing of substantial similarity can be rebutted with a showing of "disparate conditions and hazards associated with these violations of the same standard." As a result, OSHA's burden of proof has been greatly increased to establish a repeat violation.

The decision also refined what defenses an employer may have for a repeat citation based upon the actions it took to abate the earlier violation. At the outset, the review commission rejected using a mechanical application of a test for establishing a repeat classification. Applied to the facts of the case, the review commission noted that the prior PRCS citation identified "critical deficiencies" in the employer's compliance program. In response to the prior citation, the company "actively sought out and eliminated similar hazards," including developing a PRCS program specific to the condition cited. The majority in the Angelica case noted that the abatement efforts of the company resulted in reduced citations in the current matter. Similarly, the review commission noted that the prior LOTO citation to the company had identified a "comprehensive failure." The present case, however, involved established procedures as well as surveys completed for machines the company had undertaken in the interim. Rather than lacking the previous comprehensive procedures, there were only two discrete deficiencies in the employer's current program.

Significantly, the review commission also noted in a footnote that the secretary of labor had accepted the company's prior abatement method, thus giving no basis to conclude that the company knew that its interim safety precautions and corrective actions were inadequate to be compliant.

After comparing the employer's attempts at compliance with the prior and subsequent citations, the review commission reasoned that while the prior citations had been a complete failure to comply, the current citations reflected only minimal deficiencies. In other words, "[the company] took affirmative steps to achieve compliance and avoid similar violations in the future." Because of these interim abatement actions, the review commission concluded that there was no basis for a repeat citation.

How to Protect Employees and Company from Repeat Citations

In light of the Angelica decision, it will be much more difficult for OSHA to prove repeat citations. Traditionally, if an employer settles a citation or it becomes the final order of OSHRC following litigation, it is critical to alert the employer's management at each of its facilities or worksites across the country of each citation and the underlying hazard. Employers should take timely measures to abate the cited hazard at the cited worksite and to prevent future employee exposure to the hazard at every worksite.

In addition, if an employer eventually agrees to accept a citation, the employer should attempt to have the alleged violation description (the factual description of how the violation occurred contained in the body of the citation itself) carefully revised to limit and accurately describe the hazard to reflect the specific facts and circumstances of the hazard. By doing this, it will be much more difficult for OSHA to prove that the hazard alleged in any future citation is substantially

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Mark Your Calendar

October

American Fats and Oils Association Annual Meeting
October 10-11, New York, NY • www.fatsandoils.org

US Animal Health Association 122nd Annual Meeting
October 18-24, Kansas City, MO • www.usaha.org

National Renderers Association 85th Annual Conference
October 22-26, Laguna Niguel, CA • www.nationalrenderers.org

January 2019

Association of American Feed Control Officials Midyear Meeting
January 21-23, Savannah, GA • www.aafco.org

National Biodiesel Conference and Expo
January 21-24, San Diego, CA • www.biodieselconference.org

February

International Production and Processing Expo
February 12-14, Atlanta, GA • ww.ippexpo.com

International Rendering Symposium
February 14-15, Atlanta, GA • ww.ippexpo.com/edu_prgms

March

Pacific Coast Renderers Association Annual Convention
March 8-9, Carmel Valley, CA • Email Marty Covert at co@martycovert.com

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Law *Continued from page 35*

similar to the hazard alleged in the prior citation.

Following the acceptance of a citation, employers must also take steps to establish that it acted in good faith and took effective and documented action to correct the initial violation. Employers should "actively [seek] out and eliminate similar hazards," or "[take] affirmative steps to achieve compliance and avoid similar violations in the future." As there is no mechanical way to avoid a repeat citation, and the corrective actions taken will depend on the factual circumstances surrounding the citation, employers should consult experienced counsel for guidance on what constitutes abatement of the citation and how to properly document such actions.

If an employer is unfortunate enough to receive a repeat citation, it should develop a defense strategy to contest the classification of the citation as repeat; that is, the new citation is not substantially similar to the prior citation. While the employer cannot defend the prior citations themselves, it must be prepared to put forward documentary and testimonial evidence to establish that the previously cited hazardous condition did not create a substantially similar hazard as alleged in the subsequent repeat citation. If these steps are taken, the employer will be prepared to argue that the prior citation was not substantially similar to the present citation, as well as any other legal or factual defenses that may exist to refute the subsequent citation.

Conclusion

When an employer receives a citation from OSHA or a state agency, it must carefully consider the potential for a repeat citation prior to settling the citation for any reason. If the employer accepts a citation without undertaking the foregoing analysis, the potential liability for a repeat citation will clearly exist in the future. **R**

Complimentary copies of this article and future articles on OSHA and employment law related topics are available by contacting Mark A. Lies II at mlies@seyfarth.com to be added to the address list.

NRA Welcomes Communications Director

The National Renderers Association (NRA) has hired Nicole Ryan as its new communications director based in the group's Alexandria, Virginia, headquarters. She brings non-profit and political communications experience along with a millennial eye and a keen commitment to detail.


Nicole Ryan

Ryan will be responsible for implementing a comprehensive communications strategy for NRA and the Fats and Proteins Research Foundation. She recently relocated back to the Washington, DC, area after serving as communications director for the Arkansas Attorney General's office, where she was responsible for crafting and implementing the office's communications strategy while serving as an official spokeswoman. Ryan previously worked at the National Rifle Association as a member of the legislative public relations team and focused on media and editorial efforts for the 2016 elections.

Originally from Northern California, Ryan attended the University of California, Davis, and graduated with a bachelor's degree in political science—public service and English.

Caviness Beef Expands Texas Facility

Caviness Beef Packers, headquartered in Amarillo, Texas, is expanding its beef facility in Hereford, Texas, to include a second harvest and processing shift. This expansion will bring 600 additional jobs to the facility and enable Caviness to process 800 more head per day, bringing the total daily capacity to 2,600 head. Construction for the project will begin in October with completion expected to be in early fall of 2019.

"Caviness is excited to expand its processing capacity at our Hereford plant," said Terry Caviness, chief executive officer of Caviness. "This location has been good to us and we have filled a need through the years. It is where it all started over 55 years ago in 1962 and we have been fortunate to be able to see continued growth."

The mix of additional cattle to be harvested will come from regional ranchers and dairies, as well as area feed yards.

Marfrig Appoints New CEO

Marfrig Global Foods has named Eduardo Miron as its new chief executive officer (CEO). He replaces Martín Secco, who has led the company since 2015.

Miron joined Marfrig in 2010 and since 2016 has been the chief financial and investor relations officer while also serving as the chief financial officer of Keystone Foods in the United States. Before joining Marfrig, he worked at Grupo Safra for 10 years and at United States (US)-based Cargill for more than two decades, where he held leadership positions in Brazil and the United States. Miron holds a degree in accounting, a graduate degree in finance, and a master's degree from Business School São Paulo/University of Toronto.

Beginning in September, Marfrig will comprise two operations: South America, which is responsible for the operations in Brazil, Uruguay, Argentina, and Chile; and North America, which consists of the operations of National Beef and the beef patty plant in North Baltimore, Ohio. Miguel Gularte has been chosen to lead the South America operation. He has a career spanning more than 37 years in the beef sector.

The North America operation will continue to be led by Tim Klein, CEO of National Beef. Klein has been with National Beef, the fourth largest beef processor in the United States, since 1997. He was the company's chief operating officer (COO) until being named CEO in July 2009.

Meat Group has new President

The North American Meat Institute has named Julie Anna Potts as its new president and chief executive officer (CEO). She succeeds retiring President and CEO Barry Carpenter.

Potts has served as executive vice president and treasurer of the American Farm Bureau Federation (AFBF) since 2011. She first joined AFBF in 2004, serving as general counsel until 2009 when Potts was named chief counsel of the Senate Agriculture Committee, serving under then-Chairman Blanche Lincoln of Arkansas.

Earlier in her career, Potts was an associate in several environmental law groups in Washington, DC, and clerked for a magistrate judge. She earned her law degree at The George Washington University Law School in Washington, DC, and her bachelor of arts in English at Bryn Mawr College in Bryn Mawr, Pennsylvania.

NBB Hires Manager

The National Biodiesel Board (NBB) welcomed new communications manager Samantha Turner to its staff in August. She comes to NBB from Monsanto where she served as their food and nutrition engagement communications manager. Turner will be responsible for the development of communication strategies for the NBB team and plans to support the industry through content enhancing the biodiesel narrative.

Turner grew up on her family's fourth generation row crop farm in Norborne, Missouri. She earned a bachelor's degree in agricultural education and a master's degree in agricultural leadership, communication, and education from the University of Missouri, Columbia. Turner previously worked for an array of agriculture and membership organizations including the Missouri Soybean Association, Missouri Farm Bureau, Osborn Barr, and the University of Missouri College of Agriculture, Food, and Natural Resources.

Tyson Acquires Keystone Foods, Names New Leader

Tyson Foods Inc. has agreed to buy Keystone Foods from Marfrig Global Foods for $2.16 billion in cash. The acquisition is Tyson's latest investment in furthering its growth strategy and expansion of its value-added protein capabilities.

Headquartered in West Chester, Pennsylvania, Keystone supplies chicken, beef, fish, and pork to some of the world's leading quick-service restaurant chains, as well as retail and convenience store channels. Its value-added product portfolio includes chicken nuggets, wings and tenders, beef patties, and breaded fish fillets.

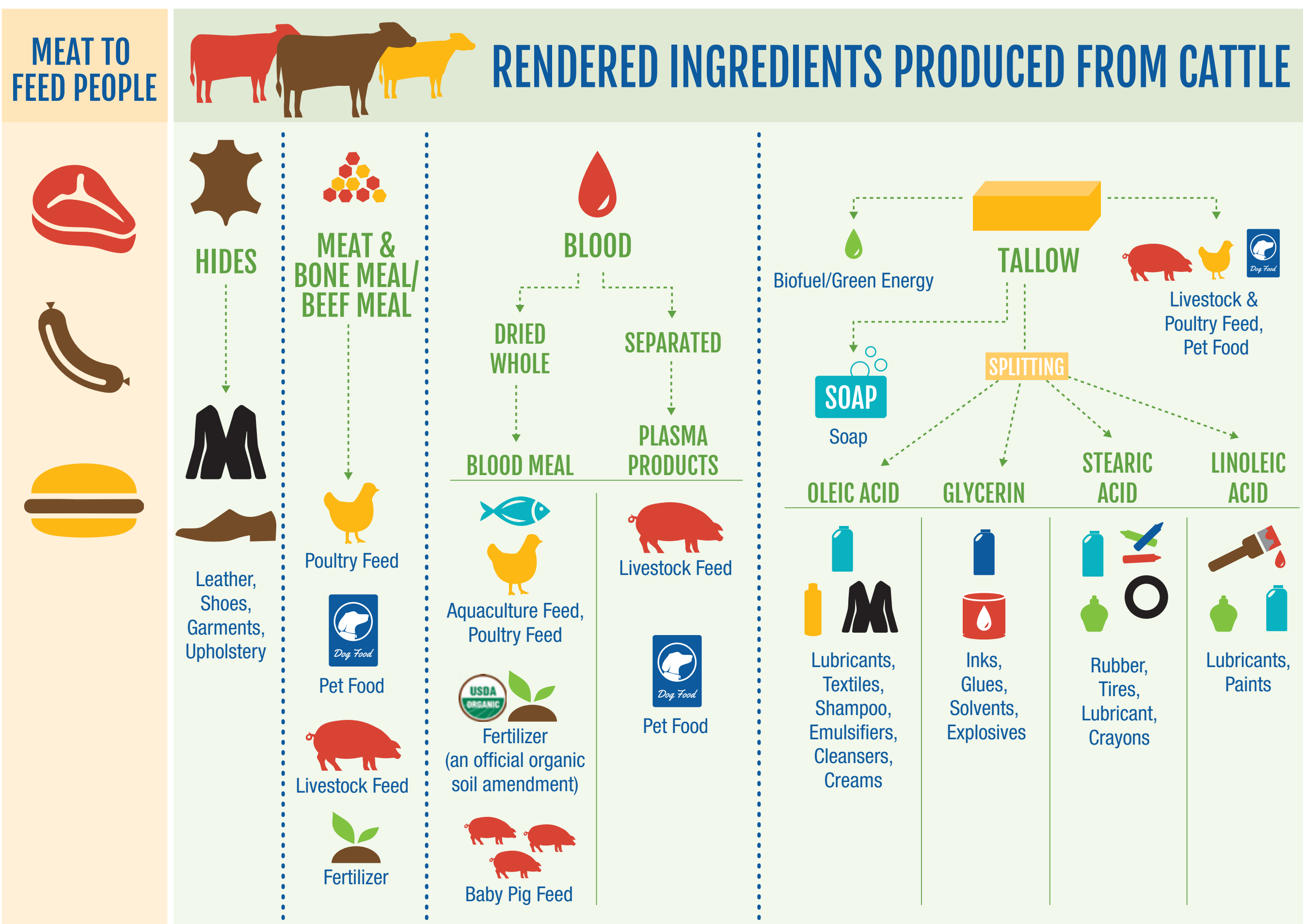
The acquisition includes six processing plants and an innovation center with locations in Alabama, Georgia, Kentucky, North Carolina, Pennsylvania, and Wisconsin but does not include the beef patty processing plant in Ohio. It also includes eight plants and three innovation centers in China, South Korea, Malaysia, Thailand, and Australia.

Keystone employs approximately 11,000 people and generated annual revenue of $2.5 billion in the last 12 months ending June 30, 2018.

The Tyson Foods Board of Directors has appointed Noel White, formerly group president of their beef, pork, and international division and a member of Tyson Foods' enterprise leadership team, as president and chief executive officer (CEO) effective September 30, 2018. White succeeds Tom Hayes, who is stepping down as CEO for personal reasons.

White has over 30 years of experience in the food industry and worked at IBP for nearly two decades prior to its 2001 acquisition by Tyson Foods. He has served in various leadership roles throughout his career with Tyson, including as chief operations officer. As group president of Beef, Pork, and International, he was responsible for delivering overall growth for the company's beef and pork segments as well as the international business. Previously, he was president of Tyson's poultry division from 2013 to 2017 and has also served in numerous sales, management, and company officer positions.

White is a graduate of Bemidji State University and earned a master of business administration degree with an emphasis in economics from Oklahoma City University. **R**



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