Uncertainty on the RFS Is Driving Down Farm Income Across the U.S.

The U.S. Renewable Fuel Standard (RFS), which has driven sustainable growth in renewable fuel for a decade and is the only federal law on the books directly targeting climate change, is under dire threat by the Environmental Protection Agency (EPA). New data from the U.S. Department of Agriculture (USDA) reveals just how much harm this Administration has caused farmers by its lax implementation of the RFS. The USDA announced last month that net cash income for American farmers and ranchers is forecast to decline by 26 percent in 2015 from peak levels in 2013.[1] That devastating forecast is worse than originally projected,[2] and it represents the lowest farm income levels in nearly a decade,[3] and it could get worse.

This year started off bad enough for farmers. In February, the Congressional Research Service (CRS) called the "lack of annual renewable fuel volume percentage standards for 2014 and 2015" by the Obama Administration a "key uncertainty" that was "crucial in determining how the U.S. agricultural economy will fare." Now, we see the results of that uncertainty. After nearly a decade of improving farm incomes, much of it a result of increased market opportunities for corn, the USDA projects 2015 net cash income will decline by $35 billion from the 2013 highs. The net farm income projection for 2015 at $58.3 billion is down over 50 percent compared with the record $123.7 billion level achieved in 2013 and is the lowest since 2006.

Since the enactment of the RFS in 2005 and expansion by Congress in 2007, U.S. corn farmers increased their production through investments in improved yields, technology, and sustainable acreage expansion that could be farmed with conservation farming techniques such as no-till. The result encouraged the rapid growth of the U.S. ethanol industry, and produced both an increased supply of renewable transportation fuel and co-products to add to America's

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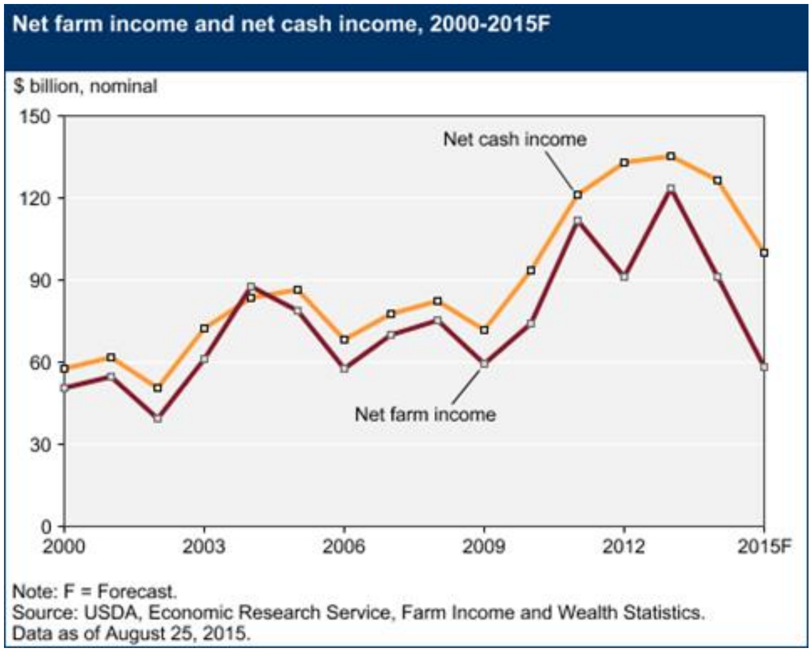
[1] USDA Economic Research Service, *Net Farm Income and Net Cash Income* (2000-2015F), 8/25/15.
[2] CRS, *U.S. Farm Income Outlook for 2015*, 2/18/15, at 5.
[3] *Supra* Note 1.

livestock feed supply. However, the current level of uncertainty in this market threatens these valuable investments in innovation and growth.



In 2015, USDA projects that cash corn receipts will be off by more than $25 billion from their 2012 record, and down over $7 billion from last year.[4] Considering all U.S. crop cash receipts are projected to be down about $34 billion since 2012 and nearly $13 billion compared to 2014,[5] it is easy to see why so many farmers so strongly support the RFS—it has been the most significant growth factor for agriculture since its inception in 2005. It is a successful program.

Other sectors of the agriculture industry also benefit from ethanol production. Approximately a third of each 56-pound bushel of grain used in the ethanol process returns to the animal feed market as valuable food byproduct for livestock, generally as distillers grains, corn gluten feed and gluten meal, which are used to feed livestock across the world. In 2014, the renewable fuels sector became one of the top animal feed processing segments in the

[4] USDA, Farm Income and Wealth Statistics, *Annual cash receipts by commodity*, 2010-2015F.
[5] USDA, U.S. farm sector financial indicators, 2011-2015F.

country, producing roughly 39 million metric tons of feed – the equivalent would provide every American with a normal-sized chicken breast every day for a year.[6]

The agricultural economic revolution spawned by the renewable fuel industry helped raise farm incomes across nearly all agricultural sectors while creating jobs in rural communities. The construction and operation of ethanol plants created additional jobs in U.S. manufacturing for agriculture equipment and technology. Meanwhile, market access to renewable alternative fuels has lowered gasoline costs for consumers, reduced the level of greenhouse gas emissions, and weaned us off our dependence on imported fossil fuels.

Unfortunately, the EPA is failing farmers, rural communities, our environment, and economic security by refusing to fulfill its responsibilities to administer the RFS consistent with its statutory obligations. Beginning with its attempt to undermine the RFS in a late 2013 proposed rule and its proposed rulemaking this year, EPA continues to stifle the growth in the renewable transportation sector.

The recent wavering on the RFS has also frozen investment in rural communities and new income streams for farmers related to advanced and cellulosic biofuels just as these products are finding their footing. The enhanced greenhouse gas and economic benefits of advanced biofuels cannot be realized without strong policy support. This new industry has experienced a $13.7 billion shortfall in investment due to uncertainty around the RFS.[7] That means new plants and jobs won't be created in rural communities and lost markets for crop residues and other feedstocks, cutting off long-term potential for supplemental farm income.

The EPA is causing uncertainty throughout the whole renewable fuel and agriculture value chains putting American jobs, innovation and investments at risk, and undermining the social and economic fabric of rural America.

[6] Renewable Fuels Association.

[7] Biotechnology Industry Organization, "RFS Policy Has Chilled Advanced and Cellulosic Investment, Bio Says." 5/4/2015