



## Hard times have fallen on Rural America. Undermining the RFS will make matters worse.

The RFS helps boost demand for crops and prices received by farmers. Ethanol production has become a vital market for U.S. agriculture and supports 360,000 jobs in rural communities.

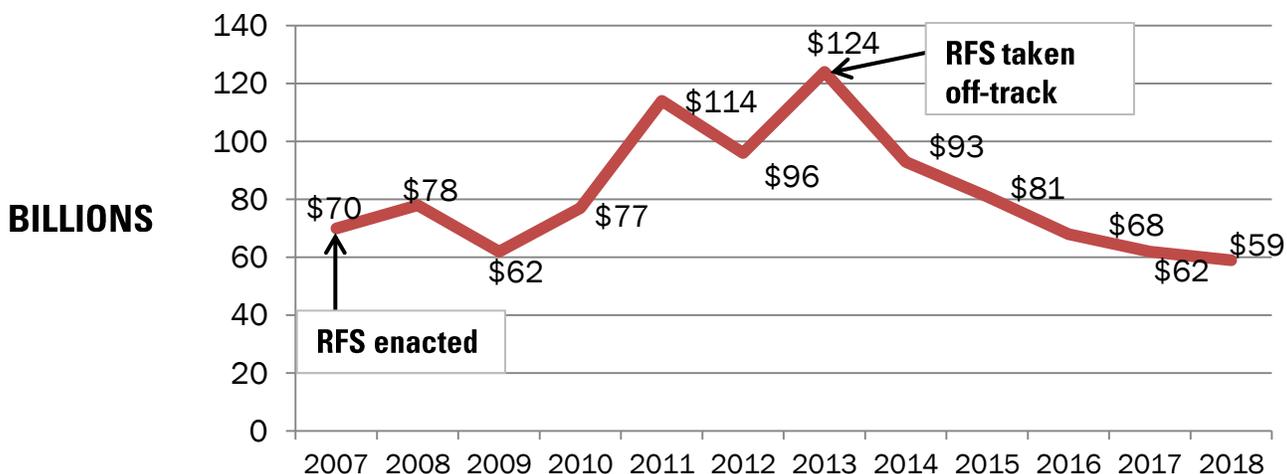
But oil companies are exploiting a bankrupt refinery near Philadelphia in their demands that President Trump and Congress undermine the RFS by capping or waiving renewable identification number (RIN) obligations. EPA says refiners recover RIN costs by raising the prices they charge for gasoline. Experts add that mismanagement is the root cause for the failure of the Philadelphia refinery<sup>1</sup> and that most refiners are, in the words of the Wall Street Journal, “floating on a sea of cash.”

History shows undermining the RFS hurts rural America. In 2013 refiners convinced EPA to waive volumes below levels established by Congress. Net farm income began falling once EPA took the RFS off-track.

ACE and others were forced to file a petition for review (*Americans for Clean Energy et al vs. EPA*). On July 28, 2017, the U.S. Court of Appeals for the DC Circuit ruled that EPA violated the statute and ordered the Agency to restore the 15 billion gallon conventional biofuel obligation for calendar year 2016. EPA has yet to follow the Court’s instructions leading to 500 million surplus RINs still on the market.

Today refiners are reporting double-digit profits<sup>2</sup> but the heart of America is being left behind. Farmers are facing their fifth year of prices at or below the cost of production. USDA forecasts conditions will get worse in 2018 as expenses will increase \$3.5 billion while corn cash receipts will fall \$2 billion. According to the Federal Reserve, 12,000 farmers went out of business in 2016 and farm debt is approaching its highest level since the 1980s farm crisis. Net farm income is expected to sink to its lowest level in 12 years.

### NET FARM INCOME



<sup>1</sup> Refiner goes belly up after big payouts to Carlyle Group. February 20, 2018. Jarrett Renshaw. Reuters. <https://www.reuters.com/article/us-usa-biofuels-pes-bankruptcy-insight/refiner-goes-belly-up-after-big-payouts-to-carlyle-group-idUSKCN1G40I1>

<sup>2</sup> <https://www.bloomberg.com/news/articles/2018-02-01/billions-from-trump-tax-cuts-supercharge-fossil-fuel-industry>

Without the RFS, farmers and rural America would be in grave economic pain. In 2015, the RFS provided a \$14 billion boost to the farm sector. Corn prices averaged just \$3.68 that year, but without the RFS, corn prices would have sunk to \$2.75.<sup>3</sup>

The best way to spur market-based demand for farmers and improve economic conditions in rural America is to increase the production and use of renewable fuels. Growing the renewable fuels market is even more critical given the uncertainty created by efforts to renegotiate existing trade pacts.

On February 26, 2018, the nation's leading and most influential farm organizations, including the National Corn Growers Association, American Farm Bureau Federation, National Farmers Union, American Soybean Association, National Association of Wheat Growers, and National Sorghum Producers wrote a letter to President Trump indicating:

“While millions of Americans are benefitting from a growing economy and your tax reforms, times are tough in rural America. While our farmers struggle with declining income and a poor economy, most oil refiners are experiencing a boom. The failings of one bankrupt (refiner) should not be used as an excuse for undermining a law (RFS) that serves hundreds of ethanol and biodiesel plants, tens of thousands of renewable fuel plant workers, and millions of farmers who rely on the strong market created by the RFS. Any action to weaken the RFS for the benefit of a handful of refiners will, by extension, be borne on the backs of our farmers.”

To restore economic security in rural America, Congress needs to maintain the RFS, EPA needs to implement the program as enacted by Congress, and legislative or administrative steps must be taken so E15 and higher blends of ethanol have access to the market.

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<sup>3</sup> Moschini, G., Lapan, H., and Kim, H. (2017) The Renewable Fuel Standard in Competitive Equilibrium. *American Journal of Agricultural Economics*, 99(5), 1146-1147.