

Biofuels: Revitalizing Rural Economies

QUICK READ

Agriculture needs a larger percentage of the gas tank. We cannot leave rural economies in the U.S. to decline or stagnate and farmers to face bankruptcies as they did during the ag crisis in the 1980s.

With America’s farmers facing plummeting commodity prices, incomes and land value, there has never been a more important time to reinforce rural America’s role in producing clean energy. Biofuels provide a vital growth market for America’s vast agricultural output.

The Situation

FARM INCOME IS FALLING¹. According to the U.S. Department of Agriculture (USDA), U.S. farm income has been cut nearly in half, from a 2013 high of more than \$120 billion to \$63 billion in 2017. In addition, slightly more than half of all farm households now lose money on their farming operations each year, with a median loss of \$1,325 forecast in 2017. Income from corn production is expected to decline for the fifth consecutive year, down \$300 million from 2016

are forecast to surge by \$4.6 billion while interest payments on debt are expected to rise by \$2.2 billion. On top of that, labor expenses will jump \$1.6 billion

DEBT IS RISING³. The 2017 debt-to-asset ratio is the highest the agriculture industry has seen in three decades. The Kansas City Federal Reserve reports that farm lending has dropped by 40 percent in a single year. This year, farm debt is forecast to increase by 5.2 percent, while farm assets will decline by 1.1 percent.

COSTS ARE GROWING². In 2017, farm expenses

The Solution

In many markets, the price of corn is now below the cost of production, forcing American farmers to sell their products at a loss and draining resources from rural communities. Biofuels are the solution. No other sector is better positioned to immediately provide an outlet for America’s two billion bushels of surplus grain and deliver a much-needed jolt to

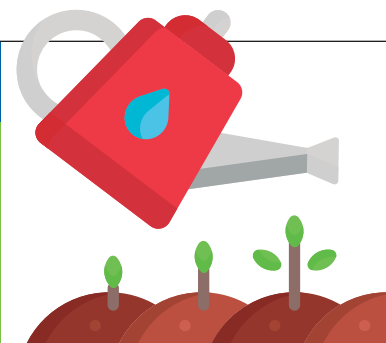
rural economies.

To make it work, agriculture needs a larger percentage of the gas tank. We cannot leave rural economies in the U.S. to decline or stagnate and farmers to face bankruptcies as they did during the ag crisis in the 1980s.

¹ "Highlights From the August 2017 Farm Income Forecast." USDA Economic Resource Service, USDA, 30 Aug. 2017, www.ers.usda.gov/topics/farm-economy/farm-sector-income-finances/highlights-from-the-farm-income-forecast/.
² "2017 Farm Sector Income Forecast." USDA Economic Resource Service, USDA, 30 Aug. 2017, <https://www.ers.usda.gov/topics/farm-economy/farm-sector-income-finances/farm-sector-income-forecast/>.
³ "Farm Crisis Talking Points." Farm Crisis Partner Toolkit, National Farmers Union, 2017, <http://farmcrisis.nfu.org/wp-content/uploads/sites/6/2017/05/Farm-Crisis-Talking-Points.pdf>.



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Biofuels represent the single most promising opportunity to revitalize rural growth and uphold American energy security.

What is Needed?

ENFORCE A STRONG RENEWABLE FUEL STANDARD (RFS). The Environmental Protection Agency (EPA) must enforce a strong RFS to ensure that products like ethanol can reach consumers. And higher biofuel blends will support sustainable crop prices and keep rural communities strong. In fact, since the RFS was expanded in 2007, U.S. cropland values increased 150 percent to nearly \$2.5 trillion. Without a growing market for ethanol, that value could vanish.

LIFT OUTDATED EPA REID VAPOR PRESSURE (RVP) REGULATIONS TO EXPAND ACCESS.

Policymakers must lift outdated EPA RVP regulations that needlessly limit the sale of 15 percent biofuel blends (E15). Enacted before E15 was part of the conversation, the current rules remain hopelessly out of date, barring many drivers from accessing cleaner fuels during summer months when Americans spend the most time on the road.

With more than 1,000 retailers now offering E15, the ability to sell the blend year-round would immediately drive up demand for ethanol. As result, the amazing productivity of U.S. farmers could go to work, supplying a larger share of the U.S. fuel mix. A new study by Informa Economics IEG shows that nation-wide adoption of E15 would support an additional 135,000 U.S. jobs and generate an extra \$15 billion in economic activity¹.

EXPAND EXPORT MARKETS. American trade representatives must fight to open foreign

markets to U.S. ethanol exports. America is already the world's top biofuel exporter², but keeping foreign markets open to U.S. producers is an ongoing challenge.

Special interests overseas are working hard to shut out American farm exports³. For example, Brazil recently imposed a 20 percent tariff⁴ all biofuel imports above a 600M liter quota (roughly 158M gallons).

American farmers win when we export value-added products like ethanol and its coproducts, including distillers' grains. Government stakeholders in the U.S. and abroad must work quickly to remove unnecessary tariffs and other barriers to free trade and reopen these key export markets.

SUPPORT FROM LAWMAKERS. Lawmakers must not ignore their rural mandate, which Politico described as the "Revenge of the Rural Voter⁵." Voters entrusted this administration and congressional majority with the power to launch a new wave of growth across rural America, supporting pro-biofuel candidates up and down the ballot.

Now is the time to deliver on that promise. Biofuels represent the single most promising opportunity to revitalize rural growth and uphold American energy security. If lawmakers fail to address the farm crisis, the hardest hit communities will be those who decided the 2016 election. These same communities will almost certainly turn out again in 2018 and 2020.

1 "The Economic Contribution of the U.S. Ethanol Industry and its Coproducts." Informa Economics IEG, Aug. 2017.

2 "Chart Of Note: The U.S. Is The Top World Net Exporter Of Ethanol." U.S. Grains Council, U.S. Grains Council, 09 Mar. 2017, <https://www.grains.org/news/20170309/chart-note-us-top-world-net-exporter-ethanol>.

3 "USGC, RFA, Growth Energy Urge Administration To Address China Trade Tariffs On Ethanol, DDGS." U.S. Grains Council, U.S. Grains Council, 08 Feb. 2017, <https://www.grains.org/news/20170208/usgc-rfa-growth-energy-urge-administration-address-china-trade-tariffs-ethanol-ddgs>.

4 "Brazil Approves Quota, 20 Percent Tax On Ethanol Imports." Reuters Staff, Reuters, 23 Aug. 2017, <https://www.reuters.com/article/us-brazil-ethanol-taxation/brazil-approves-quota-20-percent-tax-on-ethanol-imports-idUSKCN1B32PN>.

5 "Revenge of the rural voter." Helena Bottemiller Evich, Politico, 12 Nov. 2016, <https://www.politico.com/story/2016/11/hillary-clinton-rural-voters-trump-231266>.