NATIONAL CORN GROWERS ASSOCIATION

July 27, 2015

Administrator Gina McCarthy
U.S. Environmental Protection Agency
Air and Radiation Docket and Information Center
Mailcode: 28221T
1200 Pennsylvania Avenue, NW
Washington DC 20460

RE: Docket ID No. EPA-HQ-OAR-2015-0111

Dear Administrator McCarthy:

On behalf of more than 40,000 dues-paying corn farmers and the interests of more than 300,000 growers, we appreciate the opportunity to comment on the Proposed Rule for the 2014, 2015, and 2016 Standards for the Renewable Fuel Standard (RFS) Program.

The RFS is an important tool in the nation's effort to achieve cleaner fuels. Since the enactment of the RFS2 in 2007, corn and corn ethanol production have increased in efficiencies and reduced GHG emissions faster than expected. If the 2014, 2015 and 2016 proposed RVO volumes were to be implemented, it would be in direct violation of the statue and intent of this critical energy policy. The reduction will lead to a loss of energy security and flexibility while increasing GHG emissions; it will further set back this country's commitment to the environment; and will make us more dependent on dirtier petroleum sources than when the RFS was first enacted in 2005. It will also cause a tremendous loss in the investments already made by this nation and a multitude of private investors as well as jeopardize future investments in advanced biofuels.

NCGA's analysis clearly demonstrates that the RFS is doing exactly what it was intended to do. It is successfully driving the adoption of renewable fuel alternatives to petroleum, supporting jobs across the country, and ensuring the United States remains a global leader in developing new renewable energy sources while decreasing GHG emissions here at home. We strongly urge the EPA to return to the statutory volumes contained within the Energy Independence Security Act (EISA). We request that you reconsider your proposed reduction in the renewable volume obligations and continue to provide regulatory certainty to the most successful renewable fuel program in place. The continued stability and health of the rural economy and the nation's environmental improvements hinge upon your decision.

Sincerely,

Chip Bowling

Chip Bowling, President
National Corn Growers Association

Executive Summary

Energy security is not just about reducing reliance on foreign resources; it is about diversity. To only rely on one type of energy resource does not allow flexibility in times of crisis or uncertainty. Investing in renewable biofuels leads to energy diversity and thus energy security. The authors' intent of the RFS was to invest in renewable energy that decreases greenhouse gas (GHG) emissions, while helping to spur economic growth in the agricultural sector.

Our nation stands at a pivotal point in its commitment to renewable energy. When the RFS was enacted, the authors of this policy envisioned renewable fuel (primarily ethanol) displacing gasoline at an even faster pace than today. Increasing volumes were to be utilized through E10 blends (10 percent ethanol, 90 percent gasoline) while the concomitant production of flex-fuel vehicles (FFVs, can utilize up to 85 percent ethanol) and supporting infrastructure was established. The former has happened; the latter has disappointedly lagged compared to what was outlined in the statute. Congress and the EPA laid out a renewable energy plan; agriculture responded, the biofuel industry responded, the auto industry responded. However, obligated parties have not complied.

NCGA recommends that the 2014, 2015 and 2016 RVOs remain at statutory levels. In combination with existing RINs, there is sufficient capacity in the biofuels industry to produce the necessary volumes to meet this level. The RFS was designed to support growth in the industry by setting attainable targets while pushing the market forward. Events of this past year have demonstrated that the RIN system is working as intended by driving the market toward increased ethanol usage and laying the foundation for additional growth. Further developments in infrastructure are poised to increase volumes with the proper signals from the EPA that future growth is expected.

Since the implementation of the RFS2, the agricultural sector has experienced a decrease in direct government payments, an increase in cropland values with concomitant increases in cropland taxes and increased economic growth in rural America. All of this has occurred while corn farmers have met the varied demands for corn. The RFS has also decreased GHG emissions from petroleum through the use of renewable biofuels. Use of ethanol as an octane source in even greater fuel blends holds the promise of powering more highly efficient engines with even cleaner burning fuel. The RFS has spurred growth in agriculture, increased energy diversity and decreased GHG emissions from fossil fuels through the development of renewable energy resources.

Comments

Ethanol produced from corn has been the primary source of biofuel produced to meet the RFS2 volume requirements. Cellulosic and advanced biofuels were designed to provide an even greater savings in GHG emissions. However, the speed of commercialization of cellulosic ethanol has been slower than anticipated. The RFS was crafted to allow for cellulosic technology to catch up with the volume requirements through a flexible system that allowed the EPA to adjust the volumes based on the annual projected levels of the respective fuels, namely, the RVO system.

Without the requirements of the RFS, lower carbon fuels would no longer have market certainty, and investment in process technologies would essentially be lost – as would the energy security upon which the RFS was established.

NCGA adamantly recommends that the RVO level for total biofuel be maintained at the statutory levels minus the adjustment in cellulosic volumes. Reducing levels below the recommended reduction in the advanced category, as proposed by EPA, is in direct violation of the law and puts the Agency in an actionable position. In order to grant a waiver and reduce the RFS2 requirement, EPA must either determine that implementing the requirements would "severely harm the economy or environment" or that there is "an inadequate domestic supply." In the Proposed Rule, EPA justifies the proposed reduction in conventional biofuel due to "inadequate domestic supply" based on a lack of retailer infrastructure and a fabricated blendwall—a criterion that is not a statutory trigger.

The authority to adjust the cellulosic, advanced and total schedules based on cellulosic shortfalls, section 211(o)(7)(D) of EISA requires: EPA to adjust, by November 30 of the preceding year, the volume requirements for cellulosic biofuel if production is likely to be less than called for in the Act. The EPA has failed to meet this deadline – two years after the statutory obligation.

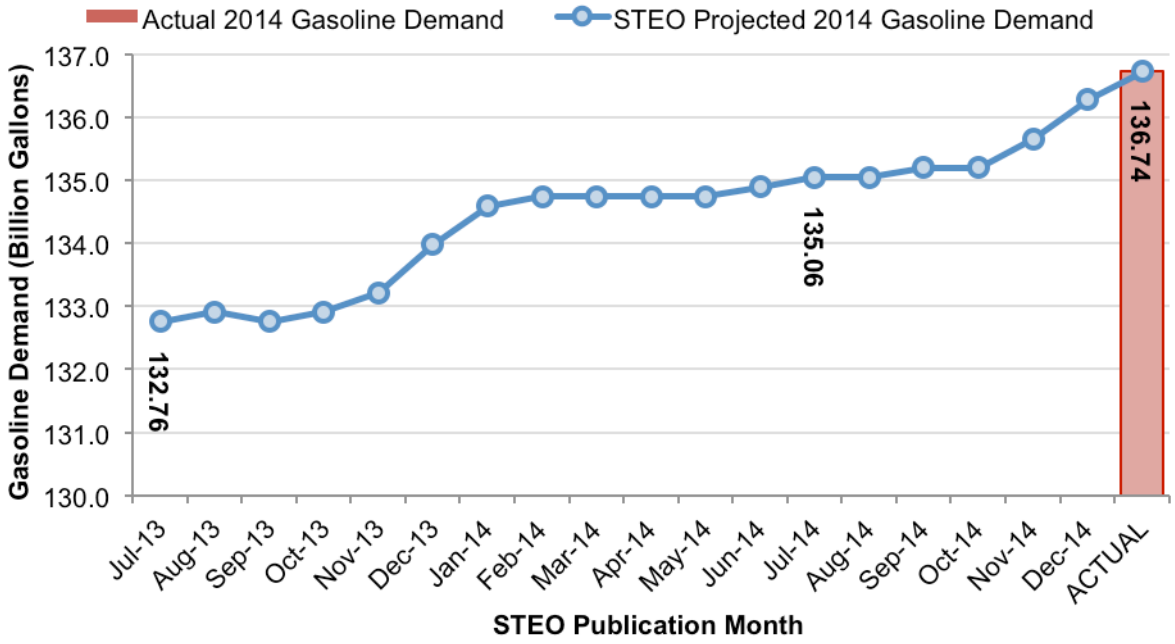
The RFS directs EPA to reduce the applicable cellulosic biofuel volume to "the projected volume available during that calendar year." Importantly, the statute limits EPA's ability to reduce the total and advanced biofuel requirements "by the same or a lesser amount." This means that EPA can either reduce the total requirement by the amount it reduced the cellulosic mandate, or it can allow advanced biofuels to make up a portion of the cellulosic shortfall. EPA has used this authority in setting the annual RVO requirements for cellulosic biofuels. In each case, EPA estimated cellulosic production, reduced the schedule accordingly but allowed advanced fuels (i.e., biodiesel and ethanol produced from sugarcane) to make up some of the shortfall. This action is in line with the intent of Congress by mandating **increasing** annual volumes of biofuels. EPA should not interpret the statute to expand its authority beyond what Congress provided towards cellulosic volume adjustments. **The statute does not allow EPA to reduce the overall advanced or total biofuel mandates by a greater amount than the reduction in the advanced categories.**

Further, calculations used to arrive at the estimated consumption are far too low. The accuracy of these projections is critically important, as they represent a key variable in the RVO calculations and also figure prominently into EPA's assessment of "reasonable achievable" levels of renewable fuel usage. The Energy Information Administration's (EIA) gasoline demand

projections for 2015 and 2016 have been revised upward in the most recent available (July 2015) Short Term Energy Outlook (STEO). In other words, the so-called blendwall continues to shift upward. We strongly encourage EPA to adopt the latest STEO gasoline demand figures, as well as provide allowance for upward revision for the final rule.

EPA should take into account the fact that recent EIA gasoline demand projections have exhibited a strong and consistent downward bias when later compared to actual demand data. The chart below, for example, shows that the Nov. 2013 STEO projected 2014 gasoline demand at 133.22 billion gallons. Subsequent STEOs steadily revised the 2014 gasoline demand projection upward, but even the December 2014 STEO projection proved to be well below actual 2014 gasoline demand. Actual 2014 gasoline consumption was 1.2 percent higher than EIA's July 2014 STEO projection and 3.0 percent higher than the July 2013 STEO projection, meaning the July 2015 STEO projections (i.e., the most current projections) for 2015 and 2016 gasoline demand may prove similarly low.

Figure 1. 2014 U.S. Gasoline Demand: EIA STEO Projections vs. Actual



To develop the rationale for the general waiver in 2013, the Agency introduced the concept of "inadequate domestic supply." While the Administrator is given the authority to issue general waivers for inadequate supply or general waivers for events that may lead to significant environmental or economic harm, the expansive nature of factors outside of economic principles of supply stretches credulity.

Finally, in the recently published 2014 NPRM, it states: "we are therefore withdrawing the November 2013 NPRM; this proposal replaces and supersedes that earlier proposal…we do not intend to specifically respond to comments on the prior proposal." The Agency received in

excess of 340,000 comments on the proposal; many of those came from growers and farmers around the country. The Agency is obligated by law to address all substantive comments on a proposed rule. Ignoring those comments and withdrawing the NPRM shows a level of disrespect for the process and individuals who participated in the comment period.

2014 NPRM: Inadequate Domestic Supply

NCGA believes the EPA is properly using the waiver authority by reducing the obligated volumes for cellulosic and advanced biofuels. The industry has not developed production capacity in line with levels envisioned by Congress when EISA was passed in 2007. Further, the proposed volumes for 2014 to 2016 appear as a sound solution recognizing the current production reality and reasonably achievable industry expansion.

In the explanation of the expansive and unprecedented use of "inadequate domestic supply," the Agency has cited common economic principles that are counter to the argument. As an example, "The common understanding of this term is an amount of a resource or product that is available for use by the person or place at issue." There is no mention of the ability to consume the resource, only the availability of the resource. The Agency then attempts to argue against this commonly accepted principle, "the wavier authority does not specify what factors are relevant in determining the adequacy of the supply." The waiver authority does not need to specify any other factors than whether sufficient volumes of the resource are available.

The Clean Air Act authorizes EPA to grant a general waiver to "reduc[e] the national quantity of renewable fuel required under [the RFS Program] . . . based on a determination . . . that there is an inadequate domestic supply." Clean Air Act § 211(o)(7)(A)(ii) (codified at 42 U.S.C. § 7545(o)(7)(A)(ii)). There is no doubt that the phrase "inadequate domestic supply" refers to the available quantity of renewable fuel based on production capacity and carryover RINs—and nothing more.

In interpreting the phrase at issue, EPA is required to follow the well-known, two-step framework established in *Chevron, U.S.A., Inc. v. Natural Resources Defense Council,* 467 U.S. 837 (1984). First, the Agency must determine "whether Congress has directly spoken to the precise question at issue." Id. at 842. "If the intent of Congress is clear, that is the end of the matter; for the court[s], as well as the agency, must give effect to the unambiguously express intent of Congress." Id. at 842-43. If, however, the intent of Congress is not clear, only then may the Agency continue to Chevron's second step. Under that second step, a court will defer to an agency's interpretative choice if it "'represents a reasonable accommodation of conflicting policies that were committed to the agency's care by the statute.'"

Before proceeding to *Chevron*'s second step, EPA must "employ[] traditional tools of statutory construction" to ascertain congressional intent. Id. at 843 n.9. This includes not only a searching inquiry of the statute's underlying text, but also an understanding of its overarching purpose and the legislative history of the phrase or provision at issue. Indeed, beginning with *Chevron* itself, the Supreme Court has considered a statute's "legislative history" among the "traditional tools of statutory construction" that must be considered at *Chevron*'s first step. Id. at 843 n.9, 851-60 (analyzing the "legislative history" of the Clean Air Act at Chevron's first step); see also *Gen. Dynamics Land Sys. v. Cline*, 540 U.S. 581, 600 (2004) ("deference to [an agency's] statutory

interpretation is called for only when the devices of judicial construction have been tried and found to yield no clear sense of congressional intent"); id. at 586-91 (using legislative history to determine congressional intent at *Chevron*'s first step); cf. *Nat'l Cable & Telecomms. Ass'n v. Brand X Internet Servs., Inc.*, 545 U.S. 967, 989, 992 (2005) (concluding that the statute in question was ambiguous, "not only from the ordinary meaning" of the language, "but also from the regulatory history of the Communications Act," which effectively served as that statute's legislative history, because "Congress passed the definitions in the Communications Act against the background of this regulatory history."

Here, the text, purpose, and legislative history of the general waiver provisions, along with the structure of the Clean Air Act more generally, all lead to the same conclusion: the term "supply" refers to the available stock (or quantity) of renewable fuel based on production capacity and carryover RINs, and does not include concepts traditionally associated with "consumption" or the act of "supplying [a commodity] to" the end user. Here, EPA's interpretation of the general waiver provision unquestionably fails *Chevron*'s first step.

EPA states "Ambiguous provision is reasonably and best interpreted to encompass the full range of constraints…as well as factors affecting the ability to distribute, blend, dispense, and consume those renewable fuels in vehicles." There are no limitations on the ability to distribute or blend higher volumes of ethanol. Further, pumps are available for installation to dispense higher blends, and recently the corn and ethanol industry have made significant financial contributions to install the necessary infrastructure. The most troubling is the consideration of "consumption" as a supply factor. If the ability to "consume" is a supply factor, it is incumbent on the Agency to clearly outline what constitutes demand factors.

Finally, the Agency attempts to justify this flawed logic by including the Reformulated Gasoline (RFG) market and citing legislative ambiguity, when none exists. In establishing the RFG market, Congress provided for potential waiver relief. The Agency even cites that Congress intended to "expressly differentiate between 'domestic supply' and 'distribution capacity'." Congress intended to consider "distribution capacity" of oxygenates, but the same language was excluded from the statute. The Agency cannot claim ambiguity. Congress was clear with its intent: "distribution capacity" was **not** to be a factor or this would have been clearly outlined in the statute.

Banked RINs

Closely related to the arguments regarding inadequate domestic supply is the treatment of carryover Renewable Identification Numbers (RINs). NCGA believes statutory volumes of conventional ethanol can be easily achieved by simply requiring any gap be filled by retiring excess RINs. It is stated that, "EPA should not set the annual standards for 2014-2016 at levels that would clearly necessitate a reduction in the current bank of carryover RINS."

The general waiver provision authorizes the Administrator to grant a waiver to "reduc[e] the national quantity of renewable fuel required under [the RFS program] . . . based on a determination . . . that there is an inadequate domestic supply." Clean Air Act § 211(o)(7)(A)(ii) (codified at 42 U.S.C. § 7545(o)(7)(A)(ii)) (emphasis added). As explained below, the key statutory phrase—"inadequate domestic supply" of "renewable fuel"—refers to the availability

of renewable fuel as a commodity based on projected production capacity and existing stocks of carryover RIN credits. It does not embrace concepts of "consumption."

Further claims, "…RINs serve an important function under the program, including providing a means of compliance when natural disasters cause unexpected supply limitations…" In 2012, the U.S. Corn belt endured its worst drought since the 1930s. Despite this devastating drought, there was sufficient feedstock to meet production demand, without a dramatic drawdown of RINs. This clearly demonstrates that the industry was able to provide more than an adequate supply of feedstock, therefore negating any argument regarding disaster preparation by the industry.

Further, the EISA of 2007 established the RIN concept as an economic force on the market to offer higher biofuel blends to the market. As statutory volumes increase, obligated parties will either consume more biofuel thereby accumulating more RINs towards their obligation. The second option is for obligated parties to purchase RINs from businesses that are consuming higher volumes. Ultimately, as the price of RINs increase, investments will increase to provide more biofuel.

The Agency is hypocritical in its statement " … that nothing precludes biofuel producers from independently marketing E85 or increasing the production of non-ethanol renewable fuels…consistent with the objectives of the statute to grow renewable fuel use over time by placing appropriate pressure on all stakeholders to act within their powers to increase renewable fuel production and use." Since the increase in RIN prices began in 2013, the expansion in higher blends has been almost exclusively driven by the biofuel producer, **not** obligated parties. These investments were made largely to overcome the intransigence of obligated parties—which is further nurtured by this proposed rule.

If increasing RIN prices are designed to be the economic incentive driving higher biofuel inclusion, the Agency's actions undermine this incentive. The proposal correctly states, "High RIN prices can also provide the potential for reductions in the retail selling prices of E85 and E15 if distributors, blenders, and retailers pass the value to those RINs to end users. Finally, sustained high RIN prices create the incentives needed to spur investment in new technologies and production capacity, a critical need if the market is going to continue expanding in future years according to Congress' intentions." The largest increase in E85 consumption occurred after D6 RINs began trading in excess of one dollar and approached $1.50. Retailers who began pricing E85 competitively saw a dramatic increase in sales. Curiously, the actions of the Agency, including the leaked 2013 NPRM, have led to a rapid decrease in RIN prices. The economic incentive works. The Agency should not artificially suppress RIN prices by refusing to reduce the number of banked RINs.

Inaccurate Calculation of 2014 Conventional Ethanol Volumes

Another concern is the flaw in the conventional ethanol calculation. The EPA proposal states its intent to use actual ethanol volumes produced minus RINs retired for export. However, the claim is made that "since EIA does not distinguish exports by D code, we assumed based on past practice that all ethanol exports represent D6 ethanol… We expect any errors introduced by this assumption will be very small." This assumption is inaccurate.

Table 1: EPA 2014 Actual Supply and Estimate Corrections (*in millions*)

	EPA Proposal [1]	**Corrected [2]**
Domestic D6 RIN Generation	14,008	14,017
Importer D6 RIN Generation	336	79
Foreign D6 RIN Generation	--	257
Total D6 RIN Generation (Gross)	**14,345**	**14,353**
D6 RINs Retired for Error Corrections	(249)	(14)
D6 RINs Retired for Renewable Fuel Used or Designated to be Used in Any Application that is Not Transportation Fuel, Heating Oil, or Jet Fuel	--	(254)
D6 RINs Retired for Remedial Action Pursuant to 80.1431c	--	(11)
D6 RINs Retired for Remediation of Invalid RIN Use Compliance	--	(7)
D6 RINs Retired for Denatured Fuel Ethanol Exports	(846)	(453)
Total D6 RINs Unavailable for 2014 Compliance	**(1,095)**	**(739)**
Net D6 RINS Available for 2014 Compliance	**13,250**	**13,614**

[1] From EPA Proposal and Docket Worksheet
[2] From EPA EMTS website (viewed 6/15/2015), with exception of denatured fuel ethanol exports (U.S. Census Bureau)

However, industry analysts note that approximately 400 million gallons of un-denatured ethanol was exported in 2014. This is significant because un-denatured ethanol does not generate a RIN. Therefore, EPA erroneously reduced the Net Supply. Further, the EPA Moderated Transaction System (EMTS) indicates 13,989 million RINs were produced in 2014. The corrected calculation is included in the table above.

Proposed 2014 Conventional Volumes

We implore the Agency to return to statutory 2014 conventional ethanol volumes. This can be accomplished with relatively minor, if any, market impacts.

Table 2: Statutory Renewable Volumes and 2014 NPRM

	Total	Cellulosic	BBD (Adjusted)	Other Advanced	Conventional
EISA	18.150	1.750	>1.000 (1.500)	0.500	14.400
2014 NPRM	15.930	0.033	1.630 (2.445)	0.235	13.250
Difference	-2.22	-1.717	+0.630 (0.945)	-0.265	-1.150

As we have indicated, EPA accurately used the inadequate supply waiver for cellulosic volumes. We are concerned that the proposal needlessly constrains Bio-based diesel (BBD). We believe there is adequate BBD production capacity to fill any shortage in "Other Advanced" that may arise from shortages of sugarcane ethanol imports or other sources.

NCGA believes the EPA violated its regulatory authority by reducing Total Renewable Fuel volumes and subsequently "conventional" volumes. Despite the flawed rationale for this reduction, a return to statutory volumes can easily be achieved.

First, the Agency must correct the mathematical error illustrated in Table 1. This requires increasing the 2014 domestic production estimate and recalculate the export volume to only cover denatured ethanol. Second, the Agency must retire banked RINs to make up the difference. This proposal would only require the retirement of less than 40 percent of the estimated carryover. Refusal to retire these RINs will only strengthen the petroleum industry recalcitrance, and further undermine the RIN market's ability to drive increased biofuel consumption.

Table 3: Proposed Volumes

	Statutory Volume	Revised Net Supply (table 1)	Mandatory Banked D6 Retirement	Revised 2014 NPRM
Million gallons	14,400	13,614	786	14,400

2015 and 2016 NPRM

The proposal itself noted that the majority of the 2015 calendar year will be over before the final 2015 NPRM is set. The EPA should not punish the biofuel industry for the Agency's inability to promulgate rules within the statutory time limits. Because of this failure, the Agency will likely have to force the retirement of additional banked D6 RINs in order to return to the 2015 statutory level of 15.0 billion gallons.

EPA can take two steps to return future volumes to the levels prescribed by Congress. First, require a modest retirement of RINs to meet the 2014 levels. This will send an important signal to the petroleum industry that the Agency is serious about upholding the law. This will further strengthen RIN prices giving a financial incentive for the retail industry to offer higher blends of ethanol as both E15 and E85. Second, the Agency must use its regulatory authority to grant a 1.0 p.s.i. Reid Vapor Pressure (RVP) waiver to E15 blends. E15 has a lower RVP than E10 making it a superior fuel for consumers. In addition, granting the RVP waiver will allow year-round sales in Attainment areas.

Reset Provision

The RFS includes a "reset" provision that takes effect after 2016, if the EPA has reduced any of the mandated amounts by at least 20% for two consecutive years or by at least 50% for a single year. Unfortunately, EPA conspicuously proposes to set the RFS levels at almost precisely the levels necessary to trigger its reset authority for 2017, the first year it could be triggered.

In the proposal, EPA reduces the overall RFS from statute by 12.2% for 2014, and then just over the required 20% threshold from statute for 2015 and 2016, at 20.5% and 21.8% respectively. Although EPA never mentions the reset power in the RVO rulemaking, that the proposal would trigger the reset power appears intentional. In fact, there is substantial basis to conclude that EPA's motivation for setting the total volume levels where it did is to trigger this provision.

As a result, EPA would be released from the Congressionally enacted RFS totals six years ahead of 2022. EPA would then have virtual autonomy to set new volume requirements as it sees fit.

That EPA's proposal would trigger the reset power is especially troubling given that the substance of this proposal, in conjunction with the prior proposal for 2014, leaves little doubt that EPA will use its self-acquired autonomy to continue to treat the RFS program as a backward-facing accounting mechanism that preserves the status quo rather than as the mechanism for driving rapid expansion in the production and use of renewable fuel as Congress intended.

The RFS and Agriculture

The RFS has influenced agriculture overall and as intended, impacted corn production and utilization. If the proposed volumes are enacted, the major advancements in agriculture spurred by the RFS will be lost, which will have a devastating impact to the U.S. agricultural economy.

Production in U.S. agriculture has increased for many reasons, including the enhanced genetics of plants and technological advances. Because of this, farmers are able to produce more crops using fewer resources. In 1960, the average U.S. farmer fed 26 people; today, the number has increased to 155 people. These advancements are all the more impressive considering that U.S. land used for production agriculture has actually decreased over the past 70 years (despite claims to the contrary).

In the last 30 years, corn production has improved on all measures of resource efficiency, by decreasing per bushel: land use by 30 percent, soil erosion by 67 percent, irrigation by 53 percent, energy use by 43 percent and greenhouse gas (GHG) emissions by 36 percent.[1] All of these improvements have continued while the RFS has increased corn demand. In the U.S., corn processed into ethanol represents less than six percent of harvested cropland. With increasing yields in agricultural production, farmers have avoided clearing additional acres of land that would have been required to produce the same amount of food. The impact of the higher yields has curbed greenhouse gases equal to a third of the total emissions since the dawn of the Industrial Revolution in 1850. No other industry can claim to have done more. A 2010 study[2] from Stanford University found that advances in high-yield agriculture have prevented massive amounts of GHG from entering the atmosphere, the equivalent of 590 billion metric tons of carbon dioxide (CO_2). The study concludes "improvements of crop yields should therefore be prominent among a portfolio of strategies to reduce global greenhouse gas emissions."

The benefits accruing to agriculture have not just stopped at the farm gate. A number of industries provide inputs and services to production agriculture and in the utilization of crops. A recent evaluation of farm income and impact on the broader agricultural sector found that jobs in industries and businesses related to production and use of crops (i.e., agriculturally-related industries) increased 5.4 percent, from 2,947,458 in 2005 to 3,116,369 in 2012.[3] It is also noteworthy that employment in agriculture rebounded much faster than overall U.S. employment. The agricultural crop production sector increased at a rate of 4.47 percent while

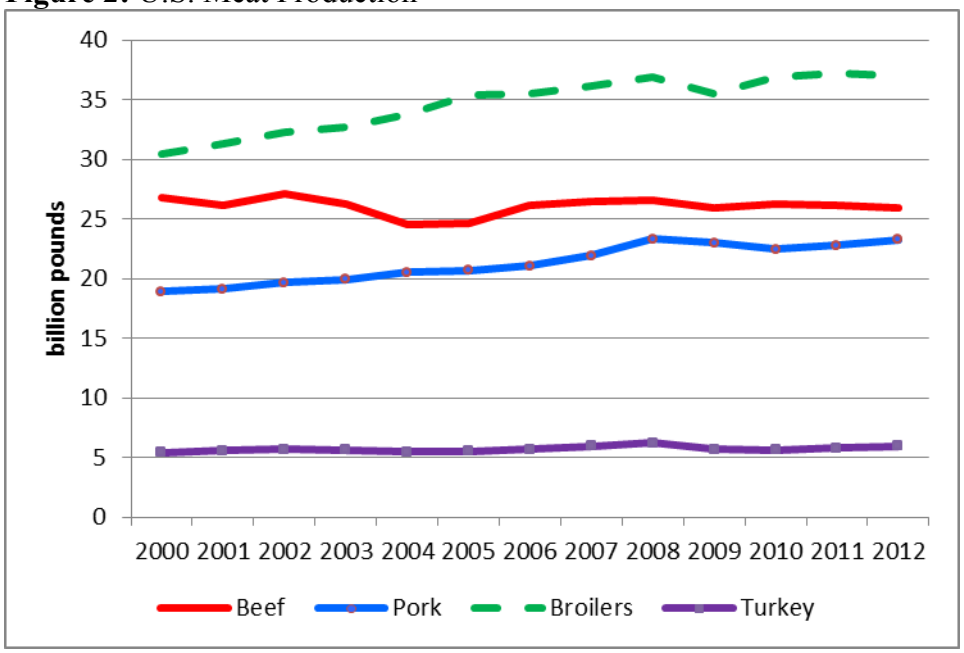
[1] "Environmental and Socioeconomic Indicators for Measuring Outcomes of On-Farm Agricultural Production in the United States" Field to Market: The Keystone Alliance for Sustainable Agriculture (July 2012).
[2] http://news.stanford.edu/news/2010/june/agriculture-global-warming-061410.html
[3] Bureau of Labor Statistics Quarterly Census of Employment and Wages. These figures exclude farm operations themselves.

that of all other industries (excluding agriculture) only increased at a rate of 2.33 percent from 2005 to 2010.[4] The economies of many communities in the U.S. are tied to agriculture in profound ways. This data only captures a piece of the broader story of the importance of agriculture to local economies and the national economy.

According to the USDA, total net agricultural income has risen since the passage of the RFS. In 2006, average farm income was $57.4 billion. In 2012, farm income was $112.8 billion, a 97 percent increase. In addition to net farm income increases, both crop and livestock receipts have increased over this time period.

Although there has been criticism from the livestock sector regarding the negative impacts caused by the RFS, meat production has not dramatically fallen. The slight downturn in beef production since 2007 is due to the persistent drought in the southern plains, not the RFS. Meat production has expanded in almost every sector since the passage of the RFS. During this same period, the U.S. has been expanding export markets for meat products. Increased exports have driven up the price received for livestock and thereby covered much of the higher costs of production including feedstuff costs. If the RFS was detrimental to the livestock industry, annual meat production should have dramatically declined post-RFS, which is not the case.

Figure 2: U.S. Meat Production



Source: USDA ERS

The RFS increased the demand for corn, and farmers responded. Corn kept up with demand in all other categories namely, feed (for animals), exports and 'other,' which includes human food, high fructose corn syrup and non-food uses. Following the 2012 drought, all major market sectors reduced corn usage as the market rationed the reduced corn supply. The market that experienced the most significant decline was the export market. However, this did not lead to global corn shortages, as major importers switched to corn imports from our major competitors.

[4] Cumulative Aggregate Growth Rate from National Agricultural and Statistics Services and Bureau of Economic Analysis.

Likewise, U.S. livestock industry imported more than 162 million bushels of corn to meet demand. These import levels have not been seen since previous droughts in the 1930s. Through it all, the market worked as predicted, and farmers responded by producing a corn crop to meet demand and rebuild stocks.

Since the implementation of the RFS, agriculture has seen a positive dramatic economic increase which has rippled into many other sectors. Farm incomes have increased, resulting in many families experiencing the return, and/or maintaining the presence of, family members. Total direct government payments to agriculture have decreased and property tax payments have increased since the RFS became law. Jobs in agriculture have increased and the agricultural production sector has increased at twice the rate of other industries. To abandon the RFS at this point in history when so much has been gained, would be devastating not only to agriculture but many other sectors tied to this bedrock of the U.S. economy.

Conclusion

The RFS is serving its intended purpose. It is successfully driving the adoption of renewable fuel alternatives to petroleum, supporting jobs across the country, and ensuring the United States remains a global leader in developing new renewable energy sources while decreasing GHG emissions here at home. We urge the Agency to stay the course and support this important piece of transformational energy policy, and we request it reconsider its proposed reduction in the 2014, 2015 and 2016 renewable volume obligations. The continued health of the rural economy and the nation's environmental improvements hinges upon this decision.