Renewable Fuel Standard

During the week of March 19, some extension agents and I were in Washington D.C. with a group of early career farmers from Daviess and surrounding counties. This trip was the final session in a Cooperative Extension Agricultural Leadership Experience program that began in January. Visiting with our congressional delegation, national farm organizations, and Environmental Protection Agency leadership was a great experience. The participants shared their concerns regarding trade, immigration, farm bill, and EPA policy while networking among their peers in the group and Washington staff. We were also able to arrange a networking dinner with the Rural Leadership North Dakota class. The trip was a learning opportunity as well. A few agricultural issues were presented to us that I was unaware of and will be discussing over the next few weeks.

At our visit to the National Corn Growers Association office in D.C., we received updates on their trade and tariff position and the affect current suggestions could have on agricultural exports. One topic I was not aware of is a suggested change to the renewable fuel standard (RFS) which will lower corn prices. RFS was created in 2005 and revised in 2007 to implement a plan to increase domestic renewable fuel production. The three objectives of the
RFS were to decrease greenhouse gas emissions, reduce dependence on foreign oil, and increase the incomes of rural areas through increased demand for ethanol ingredients; primarily corn.

How this all works in the fuel energy market is far more complex than I can explain in this article, but the structure of the RFS mandate is based on fuel market credits known as renewable fuel identification numbers (RINs). These credits serve as the currency of the RFS program, requiring renewable fuel producers and non-renewable refiners to trade these credits with fuel shipments or non-renewable refiners to purchase them outright if they fail to meet the national 10% blend requirement.

RIN prices have increased because there is a 15 billion gallon ethanol mandate with the RFS but domestic gasoline consumption has declined over the past seven years causing what is known as a blend wall. In other words, there is not enough gas being consumed to keep the mandated 15 billion gallons within a 10% blend. The non-renewable refiners are having to pay more for RINs to remain in compliance with the federal RFS law.

Prior to 2012 and before the blend wall occurred, RIN credit values were around 4 cents per gallon. Today, they are valued around 20 cents/gallon as domestic fuel consumption continues to be less than the amount needed to maintain a 10% blend with the 15 billion gallon RFS mandate. According to NCGA, the problem for corn farmers is that the current presidential administration and EPA have suggested capping the RIN value at 10 cents/gallon. Research from Iowa shows this would disrupt the RFS mandate, decrease the value of ethanol in the market, and possibly decrease the national corn price by 20 cents/bushel.

The simplest fix to this problem for non-renewable refiners would be for an RFS increase to an 11% national blend mandate. This would fulfill the 15 billion gallon RFS mandate while
further decreasing greenhouse gas emissions and lower the RIN cost to non-renewable refiners while maintaining the demand and value of corn, which has benefited greatly from the RFS law.

In conclusion, this RIN price cap possibility will have negative consequences on corn prices. The RINs market is doing what it is designed to do which is provide incentives to promote production and use of domestic renewable fuels as mandated by congress in the RFS. Imposing a cap on RIN price would prevent the market from meeting the RFS objectives, and negatively affect corn prices. Increasing the ethanol mandate to 11% would move the blend wall past the current 15 billion gallon RFS level. Ethanol RIN prices would decrease to affordable levels for non-renewable fuel refiners and forgo negative reaction to corn price.

Dicamba Training

The final two dicamba trainings to be offered this spring will be April 5th at 10:30 a.m. at the Hopkins County Cooperative Extension Office in Madisonville, or April 6th at 10:30 a.m. at the Elizabethtown KY Visitor Center.

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