

May 22, 2019

The Honorable Mitch McConnell  
Majority Leader, U.S. Senate  
Washington, DC 20510

The Honorable Nancy Pelosi  
Speaker of the U.S. House  
Washington, DC 20515

The Honorable Charles Schumer  
Minority Leader, U.S. Senate  
Washington, DC 20510

The Honorable Kevin McCarthy  
U.S. House Republican Leader  
Washington, DC 20515

The Honorable Chuck Grassley  
Chairman  
Senate Committee on Finance  
Washington, DC 20510

The Honorable Richard Neal  
Chairman  
U.S. House Committee on Ways and Means  
Washington, DC 20515

The Honorable Ron Wyden  
Ranking Member  
Senate Committee on Finance  
Washington, DC 20510

The Honorable Kevin Brady  
Ranking Republican Member  
U.S. House Committee on Ways and Means  
Washington, DC 20515

Dear Leader McConnell, Speaker Pelosi, Minority Leaders Schumer and McCarthy, Chairman Grassley, Chairman Neal, and Ranking Members Wyden and Brady:

America's farmers and rural communities are facing a mounting economic threat. With your leadership, Congress can help mitigate the crisis by taking immediate action on a policy that enjoys bipartisan, bicameral support. We are writing today to ask you to renew and extend the biodiesel tax incentive at the earliest opportunity.

U.S. farmers produced record crops over the past several years but are still facing economic headwinds. Commodity prices are at decade lows and farm income is down 44 percent compared to five years ago, due in part to disruptions in export markets that account for over half of U.S. soybean sales and one-fifth of total U.S. farm sales.<sup>1</sup> As a result, USDA projects a 5% decline in soybean planting for this year.<sup>2</sup> Adding to the economic uncertainty, recent weather events have damaged grain stores and disrupted this season's planting schedule. .

Declines in farm income ripple through rural economies. Farm equipment purchases plunged sharply in the first quarter of 2019, raising a red flag for manufacturers.<sup>3</sup> Rural commercial lenders are also at risk with farm debt at a record \$426.7 billion.<sup>4</sup> Rural America is not participating fully in the economic growth that is benefiting the rest of the country.<sup>5</sup>

One bright spot in the U.S. Department of Agriculture's forecasts for farm economics is increased use of soybean oil for biodiesel and renewable diesel, a market expected to reach 8.35 billion pounds.<sup>6</sup> Biodiesel and renewable diesel production add more than \$0.60 to the value of each

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<sup>1</sup> Schnepf, R. U.S. Farm Income Outlook for 2019 (R45697). Washington, DC: Congressional Research Service, April 16, 2019.

<sup>2</sup> Ash, M., et.al. Stocks Glut of Old-Crop Soybeans Deters New-Crop Acreage Intentions. USDA Economic Research Service, April 11, 2019.

<sup>3</sup> Dorning, M. "Farm Equipment Sales Plunge Most Since 2016 in Trade-War Fallout." Bloomberg, April 26, 2019.

<sup>4</sup> Schnepf, op. cit.

<sup>5</sup> Schwartz, N. "U.S. Added 263,000 Jobs in April; Unemployment Rate at 3.6%." New York Times, May 3, 2019.

<sup>6</sup> Ash, op. cit.

bushel of soybeans, more than \$35 per acre and an overall value of \$2.5 billion in 2018. That glimmer of economic hope is threatened by the lapse of the biodiesel tax incentive.

The Energy Information Administration over the past two months downgraded its projections for U.S. biodiesel production this year.<sup>7</sup> One reason is uncertainty over the tax incentive that expired in December 2017. The industry's 17-month wait for certainty is already having a negative impact, forcing producers to make difficult decisions that will impact future production and jobs. The biodiesel industry supports more than 60,000 jobs across multiple economic sectors; layoffs will impact the entire rural economy.

Senators and Representatives from both sides of the aisle and across the country agree that the biodiesel tax incentive should be renewed. In early April, Reps. Abby Finkenauer (D-IA), Mike Kelly (R-PA), Ron Kind (D-WI) and Adrian Smith (R-NE) introduced the bipartisan Biodiesel Tax Credit Extension Act of 2019 (HR 2089), which would provide certainty for 2018 and 2019 to biodiesel producers and their employees. In February, Sen. Chuck Grassley (R-IA), chairman, and Sen. Ron Wyden (D-OR), ranking member of the Senate Finance Committee, introduced bipartisan legislation to provide a two-year extension of expired temporary tax incentives, including the biodiesel and renewable diesel tax incentive.

We ask you to bring an extension of the biodiesel tax incentive up for immediate consideration in Congress. The biodiesel industry, and the American farmers and renderers who provide much of the industry's feedstock, need the economic certainty it brings now.

Sincerely,



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<sup>7</sup> Energy Information Administration, Short-Term Energy Outlook, STEO Current/Previous Forecast Comparisons: U.S. Renewable Energy Consumption and Capacity. May 7, 2019.

