

STATE OF KANSAS



CAPITOL BUILDING, ROOM 241 SOUTH
TOPEKA, KS 66612

PHONE: (785) 296-3232
GOVERNOR.KANSAS.GOV

GOVERNOR LAURA KELLY

April 17, 2020

The Honorable Sonny Perdue
Secretary
U.S. Department of Agriculture
1400 Independence Avenue SW
Washington, DC 20250

Dear Secretary Perdue,

As Governors, we are concerned about our nation's agriculture and biofuel sector during the unprecedented economic circumstances brought on by the national pandemic of COVID-19. As our states follow the advice of the President and the Administration, motor fuel use has rapidly decreased. As most U.S. gasoline contains at least 10 percent ethanol, demand for our homegrown renewable fuels has significantly declined.

We are concerned for our farmers and producers who will bear the impact of this decrease in consumption. This further damages an already hurting rural economy and has resulted in the closure of production facilities that employ many people in rural communities in our home states. As the U.S. Department of Agriculture (USDA) considers the allocation of additional funds provided to the Commodity Credit Corporation (CCC) by the Coronavirus Aid, Relief, and Economic Stabilization (CARES) Act, we ask that you use this authority provided to assist the biofuel industry. The decrease in fuel consumption has left production facilities little choice but to idle production or close completely.

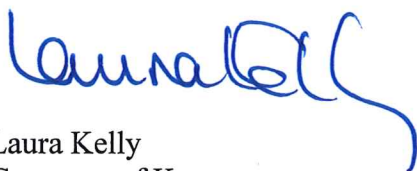
Since March 1, industry sources show more than four billion gallons of ethanol demand has been destroyed. The CCC was created to stabilize, support and protect farm income and prices while also maintaining balanced and adequate supplies of agricultural commodities. Farm income and market prices for corn and other crop commodities are directly linked to the health of the renewable fuel industry. Ethanol plants use 40 percent of all corn grown in the United States. In addition, biodiesel and renewable diesel producers currently use over 8 billion pounds of soybean oil per year, creating demand that adds 13 percent to the cash price of a bushel of soybeans. We have seen a significant drop in the price of corn and soybeans because of the decline in demand, and this puts our nation's agriculture industry at great risk.

It was recently suggested that the EPA waive blending requirements under the Renewable Fuel Standard for petroleum refineries. Doing so would only worsen the economic harm and job losses biofuel producers are suffering, and would do nothing to improve the financial health of refiners. The EPA and courts have repeatedly established that RIN costs do not adversely impact refineries because compliance costs are simply passed through in pricing for gasoline and diesel fuels. The COVID-19 crisis is inflicting severe economic harm on all participants in the U.S. fuel supply chain. Using this global pandemic as an excuse to undercut the RFS is not just illegal; it would also sever the economic lifeline that renewable fuels provide for farmers, workers and rural communities across the Midwest.

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Keeping biofuels plants open is vital for our states and we ask that you use your authority to assist the biofuel industry during this difficult time. We are supportive of the proposals the biofuel industry has put forward to reimburse feedstocks, and also believe that adding additional CCC funds to the Higher-Blends Infrastructure Incentive Program will drive future biofuel demand. Thank you for considering our request and for your dedication to rural America. We look forward to working with you to further protect American agriculture in response to COVID-19.

Respectfully,

A handwritten signature in blue ink, appearing to read "Laura Kelly", with a long, sweeping flourish extending to the right.

Laura Kelly
Governor of Kansas