**KyCorn: Federal Policy 101**

Federal policy can seem like an overwhelming “alphabet soup” of acronyms and issues. Ethanol and exports are two of the largest markets for Kentucky’s corn crop and have been hot topics in the news lately. Here is a quick guide to a few policy topics that affect your markets.

## ETHANOL ISSUES

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<th><strong>RFS</strong></th>
<th><strong>WHAT IS IT?</strong> The Renewable Fuel Standard (RFS) is a federal law that calls for a certain amount of ethanol to be blended into our fuel supply annually.</th>
<th><strong>WHY IS IT IMPORTANT?</strong> This legislation has been critical in helping ethanol producers gain access to fuel markets that have historically been controlled by oil monopolies. This policy has also added value to the price of corn. Politicians on both sides of the aisle have attempted to roll back this policy at the request of oil companies, which would be devastating for corn prices.</th>
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<td><strong>RVP Waiver</strong></td>
<td><strong>WHAT IS IT?</strong> Reid Vapor Pressure (RVP) is a measure of the volatility of gasoline. Currently, EPA has different requirements for RVP levels in regular unleaded fuel in the summer months than during the rest of the year.</td>
<td><strong>WHY IS IT IMPORTANT?</strong> Gasoline containing 10 percent ethanol (E10) received a waiver exempting it from these requirements, which is important because it means it can be sold as regular unleaded fuel year-round. Blends higher than E10 do not have this waiver, which means they can be sold for part of the year but must be classified as flex fuel June 1 – Sept. 15. This distinction is unnecessary and confusing for consumers. KyCorn advocates for expanding the waiver to allow for ethanol blends above 10 percent to be sold year-round to 2001 and newer vehicles.</td>
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<td><strong>RVO</strong></td>
<td><strong>WHAT IS IT?</strong> The Renewable Volume Obligation (RVO) is the number of gallons of ethanol that are required to be blended into gasoline each year under the RFS.</td>
<td><strong>WHY IS IT IMPORTANT?</strong> This has been an avenue of attack on the RFS in recent years as regulators attempted to decrease the amount of ethanol required by law. Whether providing testimony, submitting comments or meeting with Congressional members, KyCorn has actively pushed for higher RVO numbers to meet the requirements set by law.</td>
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<td><strong>RINs</strong></td>
<td><strong>WHAT ARE THEY?</strong> Renewable Identification Numbers (RINs) are used to track how many gallons of ethanol are blended into our gasoline by companies that are subject to the RFS. When ethanol is produced, each gallon receives a RIN, which functions like a serial number for that gallon. When a company blends ethanol with gasoline, they receive a RIN for each gallon blended. At the end of the year, companies that did not blend enough ethanol to meet their requirements can purchase extra RINs from other companies.</td>
<td><strong>WHY ARE THEY IMPORTANT?</strong> RINs are the metrics established to hold oil companies accountable to the RFS. In 2018, Senator Ted Cruz proposed putting a cap on the price of these RINs instead of letting the market dictate their value. If successful, it would have removed the incentive for refiners to increase the amount of ethanol blended by making it cheaper to purchase RINs instead of blending additional ethanol. This would have cut farm income by $4 billion per year for the next two years and cost farmers up to 25-cents per bushel.</td>
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<td><strong>HOLC Fuels</strong></td>
<td><strong>WHAT IS IT?</strong> High Octane, Low Carbon (HOLC) is a new way of looking at fuels for internal combustion engines. It focuses on increasing efficiency in engines and fuel with increased octane to achieve environmental goals in the Clean Air Act.</td>
<td><strong>WHY IS IT IMPORTANT?</strong> Corn-based ethanol produced in the United States is the most affordable octane source in the world. If the market moves toward HOLC fuels and vehicles optimized for octane, corn and ethanol producers could benefit financially. Consumers will notice improved vehicle performance and better fuel efficiency.</td>
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**FTAs**

**WHAT ARE THEY?** Free Trade Agreements (FTAs) are agreements between the U.S. and one or more countries that reduce barriers to U.S. exports.

**WHY ARE THEY IMPORTANT?** FTAs have proven to be one of the best ways to open up foreign markets to U.S. products. These agreements make it easier and cheaper for U.S. producers to export their products and services to other countries. In 2015, 47 percent of U.S. goods exported went to countries we have FTAs with.

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**USMCA**

**WHAT IS IT?** Trade agreement that replaced NAFTA renamed the United States-Mexico-Canada Agreement. NAFTA is a free trade agreement between the US, Mexico & Canada that went into effect in 1994.

**WHY IS IT IMPORTANT?** The previous trade agreement (NAFTA) had a huge positive impact on our industry. Last year, U.S. corn exports to Mexico and Canada totaled more than 551 million bushels, a record high since the adoption of NAFTA, valued at $2.68 billion. Maintaining strong trade through the new USMCA is a necessity.

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**MAP/FMD**

**WHAT ARE THEY?** Included in the 2018 Farm Bill, the Market Access Program and Foreign Market Development Program are USDA programs that work to expand existing markets and build new export market demand.

**WHY ARE THEY IMPORTANT?** These programs allow us to put personnel in other countries to execute marketing programs, educate buyers and find new markets. They are effective, delivering an average return on investment of $28 for every $1 invested.

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**USGC USMEF USAPEEC**

**WHAT ARE THEY?** The U.S. Grains Council, U.S. Meat Export Federation and the USA Poultry Egg Export Council. These three national organizations are how KyCorn and other commodity organizations amplify MAP/FMD funds and impact change in foreign counties.

**WHY ARE THEY IMPORTANT?** USGC, USMEF, and USAP-EEC leverage checkoff funds to build programs, send and bring in trade teams, and put boots on the ground in foreign markets. Whether it is value-added corn in meat products or raw corn or corn co-products, these organizations move the needle on getting our products to buyers overseas.

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**Sec 232 & Sec 301 Tariffs**

**WHAT ARE THEY?** Section 232 of the Trade Expansion Act of 1962 allow for the application of tariffs on goods coming into the U.S. based on the threat of national security. Section 301 of the Trade Act of 1974 provides the executive branch with authority to respond to unfair, unreasonable, or discriminatory trade practices.

**WHY ARE THEY IMPORTANT?** These two areas are the main tariffs impacting the “trade war” with China. Section 232 tariffs were imposed on steel which impacted China, but also many other trading partners. Section 301 tariffs have been levied against China over concerns of theft of intellectual property and other unfair trading practices. Tariffs are in direct conflict with the concept of “free trade” so row crop producers have seen significant price impacts as ag products are often a target of trade retaliation.

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HAVE QUESTIONS? CONTACT US AT (800) 326-0906

Our Mission: Develop and enhance a sustainable environment for Kentucky Corn Growers