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2024 Summit Theme

It was Ben Franklin who, upon affixing his signature to the Declaration of Independence, told his colleagues in the Continental Congress: "We must all hang together, or, most assuredly, we shall all hang separately." I'll admit the stakes aren't quite that high for us, but renewable fuels producers have faced steep challenges over the last two decades. We're here today because we hung together. For the first time, we chose a theme for the Summit: Chart Our Course. Please note it is not: Chart Your Course. We face big challenges today, but the opportunities are greater. Our hope is today's Summit will help us Chart Our Course wisely.

Looking Back at 2023
I have always found it helpful to look back before looking forward. I want to take just a little bit of time to discuss 2023. We came into 2023 off one of the most successful years IRFA has ever had. We immediately faced a major challenge: an odd combination of right and left were trying to pass legislation that would single out biofuels infrastructure projects for greater scrutiny. Quite frankly, their real goal was to effectively ban carbon capture and sequestration. With help from many allies, IRFA worked hard to hold off the attempt. We were successful but we'll need to do it again this year.

At the same time, we were able to secure a record $15 million for Iowa's renewable fuels infrastructure program to help retailers comply with Gov. Reynold's groundbreaking Biofuels Access Bill with the hard work of IRFA Policy Director Nathan Hohnstein.

Meanwhile, partnering with our friends from the corn and soybean checkoffs, IRFA Marketing Director Lisa Coffelt expanded our successful Drive Clean initiative that helps young drivers feel awesome about choosing E15 and our On Farm Biodiesel program that not only incents farmers to use B20, but also to share their B20 story with other farmers.

We also added a new teammate this year. Emma Koehler is our new communications manager. She arrived just in time to help me with our biggest and best Biofuels Tour. That's where we bring Congressional and Agency staff from Washington D.C. to Iowa and spend four days showing them everything about farming and renewable fuels firsthand. Emma has hit the ground running and we're lucky to have her.

The last thing I want to mention is still ongoing: Biofuels Vision 2024 is a coalition effort that IRFA helps lead. It spent the last year educating presidential candidates and their teams about renewable fuels and getting the candidates on the record on the most pressing biofuels policy questions. Biofuels Vision does not endorse or rank candidates. Thanks to their hard work, you can make an informed voting decision.

Charting Our Course

Now that I help my dad and brother farm our land again, I think back to growing up on the farm. Much has changed: yields, hybrids, prices, and the size of equipment. For many of us, the only thing that's stayed the same is the color of our equipment. While change has been continuous, it's also mostly been a slow evolution if we don't count the random floods and droughts Mother Nature occasionally throws our way. However, every so often there is a dramatic change that resets our expectations for the future. For me, the first disruption was the Farm Crisis of the 80s. It was not a pleasant time to come of age in rural Iowa.

But not all disruptions are bad. The rapid growth of the ethanol industry in the first decade of this century was another such disruption. In less than 10 years, biofuel production grew a market for 5 billion bushels of corn. The positive ripple effects from ethanol production have been felt for the last twenty years. Now I believe we have entered a new era of dramatic disruptions that will quickly and permanently change the future of agriculture. This time, I don't just see one disruption occurring, but four.

The Four Disruptions

First, **electric vehicles** or EVs. Even as stories emerge that EVs are less affordable, less reliable, and less desired by consumers, coastal states and even some countries are enacting EV mandates. Not just for cars, but even for heavy duty diesel trucks in some cases. On top of that, the timelines for these mandates strain credulity. But these policies have driven other low carbon options out of the market. Who's tried to buy a flex fuel vehicle recently? Even as they inevitably fail, EV mandates will impact the ability of low carbon biodiesel and ethanol to compete. There are very real-world impacts on our energy security when China controls the materials for EV battery production.

In the face of militant voices, truth has become a casualty. Let me give you one example. Everyone knows EV batteries require rare earth metals. What are they? Well, they're rare. So, if you care about carbon, it would be logical to try to maximize the carbon reduction from any given amount of rare earth metals. When Toyota's past CEO pointed out that plug-in EVs should not be the only solution and their chief scientist demonstrated how you could build 90 hybrids for the same amount of rare earth metals as just one plug-in EV, the far-left environmental groups viciously attacked Toyota for not sufficiently worshiping at the altar of EVs. The noise in the media was so loud the CEO resigned his position. Never mind that Toyota was correct. Never mind that 90 hybrids reduce carbon emissions significantly more than one plug-in hybrid. And then just imagine if that hybrid's liquid fuel tank was filled with either biodiesel or E85. All too often, common sense has been removed from the policy debate, the public debate and the board room. IRFA will continue to fight against EV mandates in all forms.

The second disruption we're facing is more positive. The rapid **expansion of soybean crush capacity** in the U.S. has no historical parallel. Over only a few years we're going from where one out of every three rows of U.S. soybeans were routinely shipped to China to where we won't be sending much of anything to China. The increase in domestic soybean oil supplies is exciting for biobased diesel and sustainable aviation fuel. But there has been less talk in farm country about the resulting creation of a massive domestic soybean meal supply. The expansion of soy crush will ripple throughout U.S. commodity markets leaving nothing untouched… from trade flows to acreage decisions, to distillers grains values, to livestock rations, and even to on-farm storage considerations.

Third, after decades of hearing “they’re coming” only to never see it materialize, many believe **Brazil** has finally got its agricultural house in order and is preparing to do to corn production what they did in the 1990s to soybean production. Over the last decade, we’ve seen Brazilian safrinha corn production grow from about 20 to over 80 million metric tons. In fact, in 2023, Brazil surpassed the U.S. as the world’s largest corn exporter for the first time. Smart observers are predicting Brazil’s winter corn production will grow to well over 100 and maybe to even 150 million metric tons over the next decade. They’re growing their corn ethanol production right along with it.

Finally, the world’s desire to decarbonize air travel presents the largest opportunity to transform rural America since the advent of corn hybrids. Think how the creation of a 14-billion-gallon domestic ethanol market for light duty vehicles pulled rural America out of the stagnation of the 1990s. Now, try to fathom the impact of adding a 35-billion-gallon **sustainable aviation fuel** (SAF) market. It’s mind boggling. Keep in mind that worldwide SAF demand is expected to be 100-billion-gallons by 2050.

<u>Carbon Capture and Sequestration is the Key to Unlock SAF Market</u>

Right now, vegetable oils like soybean oil along with fats and greases and used cooking oil are positioned to lead the way in ramping up SAF production in the near term. That’s exciting for farmers. But the only way to unlock the full value of the SAF market to rural America is to decarbonize our ethanol. The best way for many ethanol plants to reduce their carbon score is by partnering with a carbon capture pipeline. Yet, on the precipice of unlocking the largest market in the history of agriculture, some want to throw away the key and kill the carbon sequestration pipelines.

Think about it. EVs are coming. Brazil is ramping up. U.S. corn production is rising faster than demand. That’s why corn ending stocks are back above two billion bushels and corn prices have dropped two bucks over the last year. There is no other readymade market on the horizon that can not only prevent further erosion of corn profitability, but also drive the rural economy into a new era of prosperity. If we ignore these disruptions, it is a course for over production and corn prices routinely below breakeven levels. It is a course leading back to the 1990s or worse. Rural America must embrace innovation. We must recognize competition and work to beat it. We must stay nimble and align our products with the demands of our customers. In short, we must embrace the tools necessary to compete in a low carbon economy like carbon capture and sequestration.

<u>The Fork in the Road</u>

I worry that some in rural America think there is a magic “pause” button and that we can just keep things the way they have been the last few years. It’s a nice, comfortable thought and it’s a fallacy. There is no pause button. The world around us is changing whether we like it or not. We can either stay relevant and grow and have something to hand down to the next generation or we can buy plywood and start boarding up the windows on main street again. We must chart our course carefully. We literally cannot afford to get it wrong.

<u>The Issue of Year-Round E15</u>

While I haven’t included it in my list of the four disruptors currently facing agriculture and biofuels, I did want to touch on one final issue: year-round E15. If what I’m about to say gives you déjà vu, I don’t blame you. Most of you probably know that after the courts threw out EPA’s rule allowing year-round sales of E15 nationwide, Iowa Governor Kim Reynolds led a bipartisan group of Midwest governors to exercise their power under the Clean Air Act to essentially allow E15 all year in their states. Under the law, the EPA was supposed to implement the governors' decision within 90 days. This should have been done in 2022.

Just over a year ago, in December of 2022, the draft rule went from the EPA to the White House for review. But they just sat on it. So not long after last year's Summit, Iowa Attorney General Brenna Bird partnered with the Nebraska AG to put the White House on notice they were going to sue to protect the rights of the governors. The threat of a lawsuit seemed to work as the draft rule was finally published and public comments were taken.

Then we waited, all the time being assured the rule will be finalized by the end of 2023. With the clock ticking louder, Iowa AG Bird moved forward and filed suit. Once again, the AG action seemed to help as the final rule was finally sent to the White House for review in December, a full year after the draft rule. So here we are today with the EPA already well over 500 days late. The judge's ruling on the AG lawsuit could come any day. We hope it sets a quick "date certain" by which the EPA must act. Also, the White House could just finalize the rule and be done with it.

Not to be negative, but we have heard rumors that the White House might want to change the rule to delay implementation until 2025, leaving retailers and motorists stranded in 2024. I wouldn't think the judge would let that happen, but we just don't know. What I do know is that we won't stop fighting until we have year-round E15 in the Midwest and then nationwide. While this process has been drawn out to the point of comical absurdity, it is important to remember that we'd be nowhere if not for the leadership of our next speaker, Gov. Kim Reynolds.

A Time for Choosing

In closing, I just want to thank you for being here. I sincerely believe we're at one of those times where the decisions we make now will have huge long-term consequences for decades to come. In 1964 an actor named Ronald Reagan gave a speech entitled "A Time for Choosing." It's closing lines are justifiably famous and launched him into politics as the governor of California and then President. Speaking of our country's freedom and democracy, Reagan had this to say: "You and I have a rendezvous with destiny. We'll preserve for our children this, the last best hope of man on earth, or we'll sentence them to take the last step into a thousand years of darkness." Pretty powerful words.

I mention them now because as we chart our course for the future, we need to ask ourselves a question. Will we take the necessary steps to preserve for our children and grandchildren a vibrant rural economy with growing markets and justifiable hope for the future? Or will we stick our heads in the sand, turn our noses up at every opportunity for innovation, and push rural America back into the stagnation of the 1990s or even into the darkness of the 1980s? I, for one, know the course I want to chart. And I can't wait to work with all of you to make it a reality. The opportunities within our grasp today for biofuels, farmers, and all rural America are so great it's almost hard to wrap our minds around it. We cannot afford to squander this opportunity. With your leadership, we will not squander this opportunity. With your hard work, we will chart our course toward a rural renaissance the likes of which the world has never seen.