Stronger Together
FEBRUARY 15, 2017
https://youtu.be/OVnRclXEqaU
New Administration

What approach will the Trump administration take on issues important to agriculture and food?

How can we as an industry make sure the plusses outweigh the minuses?
Key Issue: Infrastructure
Transportation Infrastructure Investment Gap: 2020

TOTAL: - $1 TRILLION

- $481 Billion
- $258 Billion
- $258 Billion

Source: ASCE Failure to Act: The Impact of Current Infrastructure Investment on America's Economic Future
Federal Spending on Transportation and Water Infrastructure, 1956-2014

Source: Congressional Budget Office 2015 Report
“The cost of inaction is more lock closures, congested highways, railway bottlenecks, constrained ports and structurally deficient bridges. Ultimately, this means losing our competitive edge. That would choke our economic recovery and hamper future growth.”

David MacLennan
Cargill, Chairman & CEO
Testimony before House Committee on Transportation & Infrastructure
Key Issue: Biofuels
Key Issue: Biofuels

Trump Administration cannot:

- Single-handedly repeal the RFS
- Overturn the renewable volume obligation (RVO) numbers with the simple stroke of a pen. EPA would have to go through a formal rule-making.

Trump Administration can:

- Initiate rule-making to change the point of obligation regarding which parties are responsible for meeting the mandate
- Use waiver authority to adjust RVO numbers down in future years.
- Work with Congress to pass legislation to amend RFS.

What happens if political winds turn against RFS, or EPA decides not to issues RVO requirements after mandate expires in 2022?
If the ethanol mandate goes away
If the biodiesel mandate goes away

The cost to produce bio-based diesel presents a challenge.

**RD – Per Gallon Economics**

<table>
<thead>
<tr>
<th>Ingredient</th>
<th>Cost ($/Gal)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feedstock Costs</td>
<td>$2.72 (1)</td>
</tr>
<tr>
<td>Diesel</td>
<td>$1.50</td>
</tr>
<tr>
<td>Potential Policy Incentives</td>
<td></td>
</tr>
<tr>
<td>RINs (2)</td>
<td>$1.80</td>
</tr>
<tr>
<td>LCFS</td>
<td>$0.79</td>
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</tbody>
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**Assumptions**

- Bio-based diesel is currently unprofitable without government incentives.
  - The feedstock alone for a gallon of bio-based diesel costs $2.72 versus $1.50 for a gallon of diesel delivered.
- Without these incentives, biodiesel and RD would not be made from existing feedstocks.
- **Outlook** – government incentives are critical to industry survival especially until new feedstocks and technologies are proven.

Source: OPA research and estimates. Prices as of January 2017.

(1) Based on 8.0 lbs of soybean oil at $0.34/lb.
(2) Based on D4 RINs value of $1.80/gal ($1.06 x 1.7 factor).
Key Issue: Trade
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U.S.-Mexico agricultural trade continues to grow thanks to trade liberalization and regulatory cooperation

U.S. dollars (billions)

Agricultural Exports to Mexico since NAFTA
It could get messy
Stronger Together
Discussion