National Farmers Union

UNITED TO GROW FAMILY AGRICULTURE

November 01, 2021

The Honorable Tom Vilsack
Secretary, U.S. Department of Agriculture
1400 Independence Ave, SW
Washington, DC 20250

Re: Docket ID: USDA-2021-0010; "Climate-Smart Agriculture and Forestry Partnership Program"

Dear Secretary Vilsack:

On behalf of the nearly 200,000 family farmers and ranchers of National Farmers Union (NFU), I am pleased to submit comments regarding the proposed USDA Climate-Smart Agriculture and Forestry (CSAF) Partnership Program. NFU is a grassroots general farm organization representing family farm, ranch, and rural members nationwide. Since 1902, NFU has worked to ensure that farm families and their communities are respected, valued, and enjoy economic prosperity and social justice.

Family farmers and ranchers have an essential role to play in addressing climate change. Farmers Union members have long recognized that the climate is changing and continue to support meaningful efforts to reduce greenhouse gas (GHG) emissions across the economy. Many farmers and ranchers have an opportunity to help the U.S. meet its GHG reduction targets by sequestering carbon in the soil, reducing GHG emissions on their farms, and producing crops that serve as feedstock for biofuel production. Producers also have an opportunity to participate in making their farms and ranches more resilient to extreme weather events driven by a changing climate. More broadly, Farmers Union members believe in the importance of on-farm conservation to maintain and enhance shared natural resources.

Our members also believe the march toward greater corporate consolidation in agricultural markets is harmful and must be reversed. We must solve our collective climatic and environmental challenges while also enforcing and enhancing antitrust and competition laws, promoting competitive markets, and revitalizing a system of independently owned farm, ranch, and rural businesses. Efforts undertaken to address pressing problems with respect to climate change and natural resource stewardship must not undermine the need for fair and competitive markets for family farmers and ranchers.

I. Summary of NFU's recommendations

USDA should consider the following principles when developing the CSAF Partnership Program:

- Establish a broad scope for project eligibility that allows for a wide variety of projects that include a diverse subset of farmers and ranchers in terms of geography, scale of production, cropping system, and marketing approach;
- Take meaningful steps to include and encourage participation from, and remove barriers to participation by, limited resource, beginning, and socially disadvantaged farmers and ranchers;
- Focus on supporting projects that are flexible, collaborative, and locally led;
- Ensure projects guarantee a reasonable economic return for farmers and ranchers;
- Support projects that promote or remove barriers to biofuel production and distribution;
- Encourage projects that seek to address major barriers to the development of voluntary carbon and other environmental credit markets, especially high transaction costs and the difficulty of smaller-scale producer participation;
- Encourage projects that address climate adaptation and resiliency on farms and ranches;
- Ensure options for participation by early adopters;
- Ensure projects are not overly cumbersome or burdensome for participants;
- Exclude projects that are likely to contribute to consolidation in agricultural markets; and
- Include projects that focus on the expansion of local, regional, or alternative market opportunities.

II. NFU response to USDA CSAF Partnership Program questions

This section outlines in greater detail NFU's thinking with respect to the specific questions outlined in USDA's RFI regarding the CSAF Partnership Program.

1. How would existing private sector and state compliance markets for carbon offsets be impacted from this potential federal program?

NFU has heard concerns from our members about private sector, voluntary markets for carbon offsets. Several issues create uncertainty, confusion, or difficulty in accessing markets. These issues include lack of standardization and uncertainty around offset quality, costs or other challenges associated with verification, insufficient credit prices, lack of price transparency, and uncertainty regarding contractual obligations and legal liability associated with contract noncompliance. These issues and others may be reducing farmer and rancher participation in offset markets.

There is potential for this new program to address some of these challenges, especially by helping standardize the way protocols and projects estimate GHG emissions, and the way they address issues such as additionality and permanence of sequestered carbon. This program could also look to contribute to the development of standards for other ecosystem service markets for agriculture.

> *2. What should the scope of the Climate-Smart Agriculture and Forestry Partnership Program be, including in terms of geography, scale, project focus, and project activities supported?*

The proposed USDA program should strive to be maximally inclusive and representative of U.S. agriculture in terms of different geographies, scales of production, marketing approaches (including local, regional, and direct-to-consumer), soil types, and cropping systems.

Furthermore, projects should focus, wherever possible, on addressing natural resource concerns, while also accounting for practices and approaches that can have a long-term positive economic impact for family farmers and ranchers.

> *3. What types of CSAF project activities should be eligible for funding through the program?*

The list of possible project activities that USDA outlines in the RFI covers many areas that would be reasonable to address with this program. These include the development of standardized supply chain accounting for carbon-friendly or other GHG-reducing products; financing for low-carbon fuel from agricultural feedstocks; labeling efforts; grants, loans, or loan guarantees to farmers and ranchers to purchase equipment or other capital-intensive technology to help with practice implementation; activities to test and evaluate protocols, quantification methodologies, and verification approaches; activities to test and evaluate systems of accounting and supply chain traceability; and for activities that generate voluntary carbon offset credits.

An additional focus should be activities that achieve broader sustainability and climate adaptation goals using soil health and other regenerative agriculture practices and techniques. Projects should not be confined only to those that can achieve GHG benefits. Other project activities that should be eligible for funding include addressing water quality, water quantity, erosion, soil moisture and infiltration, fertilizer efficiency, energy efficiency, biodiversity, and wildlife habitat. Inclusion of these additional project activities, and possibly others, might also help farmers and ranchers establish markets for commodities with benefits that are related to, but extend beyond GHG benefits.

It is essential that USDA continues to facilitate the development of markets for low-carbon biofuels produced from agricultural feedstock. Biofuels have a GHG profile significantly lower compared to petroleum gasoline, while providing an enormous economic benefit for farmers, ranchers, and rural areas. The growth in the biofuels market is largely attributable to ethanol production. E10 is ubiquitous in the United States, but higher blends of ethanol should be supported and promoted to help the U.S. meet its climate goals.

USDA should also consider projects that seek to enhance environmental outcomes, while addressing challenges farmers face with depressed or volatile prices for commodities. For example, a project could evaluate structures and approaches for incentivizing conservation of marginal cropland that both achieve certain environmental goals, while addressing depressed prices caused by oversupply of a given commodity. Such a project might connect with existing commodity or risk management programs.

Finally, project activities should include those that help develop local, regional, and other alternative markets for the crops and livestock produced using sustainable methods. Farmers and ranchers are facing immense consolidation and lack of competition in agricultural markets and supply chains. Funded projects must not contribute to further consolidation in the marketplace, and some projects should focus on addressing and reducing market concentration through the expansion of local, regional, and alternative market opportunities for independent farmers and ranchers.

> *4. What entities should be eligible to apply for funding through the Climate-Smart Agriculture and Forestry Partnership Program?*

The program should be open to a wide array of stakeholders that can contribute meaningfully to successful project outcomes. As USDA has outlined in the RFI, this could include groups of farmers and/or ranchers, farmer-owned cooperatives, state, local, or tribal government entities, offset project developers, conservation districts, institutions of higher education, cooperative extension, and non-governmental organizations with an established history of working cooperatively with farmers and ranchers. To the extent farmers and ranchers are not directly funded by the program, safeguards must be included to ensure funding and other project benefits accrue to individual farmers and ranchers and improve their livelihoods.

Farmer-owned cooperatives should be given particularly strong consideration for funding. Cooperatives help reduce production costs, help with effective marketing of farm products, and if properly run, improve farmer livelihoods.

> *5. What criteria should be used to evaluate project proposals for receiving funding through the Climate-Smart Agriculture and Forestry Partnership Program? Should USDA establish a consistent payment per ton of GHG generated through projects, or evaluate a range of incentive options?*

Many of the possible criteria listed by USDA in the RFI would be essential for project proposal evaluation. We think the following are particularly important: the ability to successfully complete the project; estimated project costs; estimated GHG reduction or carbon sequestration benefits, or other natural resource conserving benefits; and the potential to address barriers faced by farmers and ranchers to implement practices or participate in offset markets, including barriers faced by early adopters, underserved producers, smaller scale farms, and farms with diverse or complex crop rotations or systems. Criteria should be tailored to the project type.

USDA should set a price floor or guaranteed minimum price for GHG credits generated through projects. This should not preclude exploring various incentive options more broadly, but there should be a reasonable minimum price.

> *6. Which CSAF practices should be eligible for inclusion? What systems for quantification and key metrics should be used to assess project benefits?*

USDA should not unnecessarily limit eligible practices for inclusion in this program, but USDA should focus on practices that are proven and known to be effective. An important starting place would be a focus on practices that contribute to the main soil health principles, including soil cover, minimizing soil disturbance, plant diversity, continual live plant/root, and livestock integration where appropriate. It may be appropriate for some projects to focus on new, emerging, and promising technologies or strategies. It is also essential to support further innovation in renewable fuels to continue to improve their GHG profile relative to fossil fuels.

Regarding approaches to quantification, monitoring, and verification, USDA should try to use existing tools and approaches as much as possible and ensure that approaches used are affordable and approachable for farmers and ranchers, while being reasonably accurate.

7. How should ownership of potential GHG benefits that may be generated be managed?

GHG benefits generated through projects under this USDA program should be the property of participating farmers and ranchers. The benefits, whether in the form of credits or some other form, should be theirs to trade, sell, or use. They should have maximum flexibility to sell or trade credits or other forms of benefits, and bundle credits together as appropriate.

8. How can USDA ensure that projects are equitable and strive to include a wide range of landowners and producers? How can USDA include early adopters, historically underserved producers, underserved communities, and ensure that benefits are provided to producers?

USDA should actively encourage participation of underserved communities and strive for inclusivity when approving projects. The department should consider creating an advisory committee to oversee this program that includes representation from underserved communities or from groups that represent these communities. It is essential that all groups are treated fairly and have a genuine opportunity to participate in this program.

III. Conclusion

Thank you again for the opportunity to submit comments. If you have any questions or would like to further discuss NFU's recommendations, please contact Aaron Shier, NFU Senior Government Relations Representative, via e-mail at ashier@nfudc.org or by phone at 202-554-1600. Thank you for your consideration.

Sincerely,

Rob Larew
President