



## **Support the Agriculture Environmental Stewardship Act**

*Put Dairy Farmers in the Driver's Seat on Nutrient Management*

### **The Dilemma of Manure Management**

Dairy farmers nationwide are environmentalists who realize the potential value of the nutrients they manage, but sustainable manure management is not often economically viable given the cost of the needed technologies. As we all know, manure is a natural byproduct of dairy farming, rich in nutrients like phosphorus and nitrogen. In recent years, federal and state regulators have applied significant pressure on the agriculture sector to reduce nutrient output to improve water quality in dairy producing regions from the Chesapeake Bay Watershed to Northern Wisconsin all the way to Central Washington.

The dairy industry has invested significant private resources into proactively tackling this challenge. The solution can be found through biogas systems which mitigate the environmental impacts of farming while providing benefits to both farmers and the general public. Biogas systems, coupled with nutrient recovery technologies, can transform manure into stable fertilizer for crops, bedding for cows, and fuel and electricity for the farm and nearby homes. However, the upfront capital cost of installing these systems poses a major obstacle for dairy farmers. According to the Environmental Protection Agency, just over 250 systems are operational or under construction on dairy and hog farms, but as many as 8,000 farms have the technical capacity to use them.

### **Spurring Environmental Stewardship through Existing Tax Policy**

Section 45 of the federal tax code makes biogas projects eligible for a production tax credit *only* if they are used to produce electricity. The code does not recognize the other important, sustainable uses of biogas for fuel, fertilizer, and other products, keeping biogas a cost-prohibitive option for dairy farmers.

To incentivize dairy producers to reap the benefits of biogas systems, Reps. Ron Kind (D-WI) and Tom Reed (R-NY) are introducing the bipartisan Agriculture Environmental Stewardship Act to modify Section 48 of the federal tax code to make biogas and nutrient recovery systems eligible for an already-existing 30 percent investment tax credit to cover capital costs. Section 48 already includes fuel cell, solar, wind, combined heat and power system, and geothermal projects.

### **Turning a Problem into a Valuable Resource**

This legislative approach would make biogas and manure resource recovery technologies more affordable, enabling dairy producers to create value from the nutrients produced on their farms and turning a costly environmental liability into useful products like fertilizer, compost, and bedding. By decreasing nutrient runoff and pathogens in waterways, it would result in improved water quality in our communities. It would also decrease odors, which often cause tension between farmers and their communities, by giving farmers a better option for handling manure than storing it in open lagoons.



Finally, this legislative fix would decrease U.S. dependence on imported fertilizer, increasing food security. Recent shortages of fertilizer during planting seasons have caused fears about relying on imported nutrients to plant crops in the U.S. Our farm sector imports over 50 percent of its nitrogen, and recent studies estimate phosphorus produced from mined material will run out in 50-100 years.

### **Furthering Our Commitment to Sustainability**

Dairy farmers and their industry partners continue to work to embrace the best possible environmental practices. In 2008, the dairy industry voluntarily set a goal of reducing greenhouse gas (GHG) emissions from fluid milk by 25 percent by 2020, and has since undertaken several projects intended to help meet that goal. Dairy Power™, an initiative run by the Innovation Center for U.S. Dairy, is focused on increasing the number of anaerobic digesters on dairy farms by 1,300, while the Dairy Plant Smart™ program has already helped participating dairy plants to reduce their energy intensity by 14 percent since 2010, enough to power nearly 30,000 homes.

Since 1944, GHG emissions per pound of milk produced have decreased by 63 percent and total GHG emissions from dairy production have decreased by 41 percent. NMPF believes that a biogas and manure resource recovery investment tax credit will be an important tool that will help dairy farmers make even greater strides in the coming years.