



# National Milk Producers Federation

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June 16, 2016

Agri-Mark, Inc.  
Associated Milk Producers Inc.  
Bongards' Creameries  
Cooperative Milk Producers Association  
Cortland Bulk Milk Producers Cooperative  
Dairy Farmers of America, Inc.  
Dairymen's Marketing Cooperative, Inc.  
Ellsworth Cooperative Creamery  
Farmers Cooperative Creamery  
FarmFirst Dairy Cooperative  
First District Assoc.  
Foremost Farms USA  
Land O'Lakes, Inc.  
Lone Star Milk Producers  
Maryland & Virginia Milk Producers Cooperative Association  
Michigan Milk Producers Association  
Mid-West Dairymen's Company  
Mount Joy Farmers Cooperative Association  
Northwest Dairy Assoc.  
Oneida-Madison Milk Producers Cooperative Association  
Prairie Farms Dairy, Inc.  
Premier Milk Inc.  
Scioto Cooperative Milk Producers' Association  
Select Milk Producers, Inc.  
Southeast Milk, Inc.  
St. Albans Cooperative Creamery, Inc.  
Swiss Valley Farms  
Tillamook County Creamery Association  
United Dairymen of Arizona  
Upstate Niagara Cooperative, Inc.  
Zia Milk Producers, Inc.

The Honorable Ron Kind  
1502 Longworth House Office Building  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Tom Reed  
2437 Rayburn House Office Building  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Representatives Kind and Reed:

The National Milk Producers Federation applauds your bipartisan Agriculture Environmental Stewardship Act, which will help U.S. dairy farmers to responsibly manage manure in order to help continue reducing the environmental impact of farming. We are grateful for your leadership on this increasingly important issue for the dairy industry.

As you know, dairy farmers 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. Manure is a natural byproduct of dairy farming, rich in nutrients like phosphorus and nitrogen. In recent years, the agriculture sector, including dairy, has faced significant pressure to reduce nutrient output to improve water quality.

We as an industry have invested significant resources into proactively meeting 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 emerging 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, often the upfront capital cost of installing these systems pose a major obstacle for dairy farmers.

Under current law, Section 45 of the federal tax code makes biogas projects eligible for a production tax credit, but 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.

Your legislation solves this problem by modifying Section 48 of the tax code to make biogas systems and nutrient recovery technologies eligible for an already-existing 30 percent investment tax credit to cover capital costs. Section 48 currently includes fuel

cell, solar, wind, combined heat and power system, and geothermal projects. Nutrient recovery technologies take various approaches, including using physical and chemical processes to transform manure into beneficial fertilizers and centrifugal technologies that recover small nutrient particles from manure.

Your approach would make biogas and nutrient 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.

We strongly support your legislation and we look forward to working with you to ensure its enactment into law. Thank you again for your leadership.

Sincerely,

A handwritten signature in blue ink, appearing to read "J. Mulhern". The signature is fluid and cursive, with a long horizontal stroke at the end.

James Mulhern  
President & CEO  
National Milk Producers Federation