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Re: Federal Register: Request for Information on a Climate-Smart Agriculture and Forestry Partnership Program (Docket Number: USDA-2021-0010)

The National Milk Producers Federation (NMPF) and Newtrient LLC are pleased to submit the following comments on the Request for Information on a Climate-Smart Agriculture and Forestry (CSAF) Partnership Program (Docket Number: USDA-2021-0010).

The National Milk Producers Federation, based in Arlington, VA, develops and carries out policies that advance the well-being of dairy producers and the cooperatives they own. The members of NMPF's cooperatives produce most of the U.S. milk supply, making NMPF the voice of dairy producers on Capitol Hill and with government agencies. Newtrient LLC was formed by 14 leading dairy organizations and represents nearly all U.S. dairy farmers. Created to reduce the environmental footprint of dairy and make it economically viable to do so, Newtrient delivers innovative technology, manure-based products, and market-driven solutions to create added value for farmers, communities, and the environment.

As we have highlighted previously, the U.S. dairy industry's sustainability successes have been intimately tied to the long-standing USDA work in research, education, and economics. Due to the foundational research from and extension outreach by USDA going back many decades, by 2007 producing a gallon of milk used 90 percent less land and 65 percent less water, with a 63 percent smaller carbon footprint than in 1944. In 2009 and reaffirmed in 2013, the U.S. dairy industry and USDA committed to increase sustainability by reducing greenhouse gas (GHG) intensity 25% by 2020. Preliminary analysis shows the goal is within reach: Producing a gallon of milk in 2017 required 30% less water, 21% less land, a 19% smaller carbon footprint and 20% less manure than it did in 2007.

Building on this success, we believe that more can be done. We are eager to foster continuous improvement in sustainability and make advanced environmental stewardship a source of

economic strength for all dairy farms and across the dairy supply chain. The Innovation Center for U.S. Dairy convened leadership from across the industry in 2018 to establish the U.S. Dairy Stewardship Commitment to document and demonstrate collective social responsibility progress in important areas, including animal care, environmental stewardship, product quality and safety, workforce development and community contributions. As part of its collective commitment to provide the world responsibly produced dairy foods that nourish people, strengthen communities, and foster a sustainable future, last year the U.S. dairy industry set aggressive new environmental sustainability goals to become GHG neutral or better, optimize water usage and improve water quality by 2050.

Our global leadership in sustainability is also important for the U.S. dairy industry in the international marketplace as 16 percent of our production is now exported. Our competitors and opponents are trading on misinformation about U.S. dairy's environmental impact, and, if left unchecked, may seek to export their environmental agenda as non-tariff barriers to hinder U.S. dairy industry exports. However, through continued global leadership, and delivering on our 2050 goals, U.S. dairy can continue to be a preferred source for dairy products worldwide.

To reach these 2050 goals, the U.S. dairy industry is working to identify technological and other advancements that can accelerate improvements, enable nimble adaptation and encourage technology and practices that can be scaled for maximum impact. We have mobilized to meet these challenges through the U.S. Dairy Net Zero Initiative (NZI), a partnership of the U.S. dairy community that unites the assets and expertise of trade, professional and industry organizations in a collaborative effort to create a path and growing portfolio of strategies and programs to achieve GHG neutrality, as well as significant improvements in water use and quality, through adoption of economically viable technologies and practices. USDA is critical to this collaboration.

We are pleased to offer the following comments on the questions posed in the USDA request for public information.

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

Private sector carbon markets will be critical to providing new revenue streams to farmers who are considering investments in climate-smart agriculture practices and technologies. The proposed federal program should complement and enhance these private sector carbon markets. Several specific areas that USDA's program could focus on to expand opportunities in private carbon markets include:

- Promote the inclusion of a full suite of practices that address all sources of reducing GHG emissions and carbon sequestration across dairy operations of all sizes and in all geographies

- Provide funding for technical assistance to increase on-farm adoption of climate smart agriculture practices and technologies

- Promote transparency across private sector carbon markets on pricing, volumes, verification procedures, eligibility requirements and other key metrics that allow producers to make informed decisions on participating

*2. In order to expand markets, 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?*

One of the biggest barriers to scaling climate smart agriculture practices is lack of access for producers to trusted information and technical assistance. USDA's program should provide funding for technical assistance to increase on-farm adoption of climate smart agriculture practices and technologies. Organizations that work directly with dairy farmers one-on-one will be essential to engaging these producers based on the site-specific needs of their operation. Dairies of all types and sizes can contribute to the dairy industry's environmental goals, and technical expertise will be needed to find those practices that work for each individual operation.

USDA should also ensure that the proposed program includes all sources of reducing carbon and greenhouse gases from a dairy operation, including feed production, enteric emissions, manure and nutrient management and on-farm energy use and efficiency. Providing a full suite of practices that address all sources of reducing GHG emissions and carbon sequestration across a dairy operation will ensure that farms of all sizes across all geographies can contribute and participate.

It is also important to consider the multiple co-benefits that can result from climate-smart changes on the farm beyond GHG emission reduction. New and current technologies and practices reduce dairy's environmental footprint, convert manure into a future clean energy source to reduce fossil fuels, improve soil health and reduce air and water quality impacts.

USDA's program should also provide implementation funding for farmers who are either ineligible for private carbon markets or for farms in supply chains with a lack of demand (buyers) for private carbon markets. Private carbon market approaches to certain principles, such as additionality and permanence, make some producers ineligible to participate. One example would be ineligibility of early adopters of climate-smart agriculture practices due to additionality (i.e., the practices are already implemented and thus not incremental). USDA's program should provide a financial payment that rewards early adopters of climate smart agriculture practices either via a look-back period, continuation incentive or some other mechanism. USDA also should provide a financial payment in cases in which farms are willing to implement climate-smart agriculture practices, but a lack of buyers in private carbon markets impedes implementation. This offering would ensure that all farms would have the opportunity

to participate (i.e., not just farms in supply chains where buyers are available) and that the pace of adoption across agriculture is not constrained by demand interest in private carbon markets.

*3. In order to expand markets, what types of CSAF project activities should be eligible for funding through the Climate-Smart Agriculture and Forestry Partnership Program? Projects should promote the production of climate-smart commodities and support adoption of CSAF practices.*

As outlined in earlier questions, USDA's program should provide funding for technical assistance to increase on-farm adoption of climate-smart agriculture practices and implementation funding for farmers who are either ineligible for private carbon markets or cases in which demand (buyers) in private carbon markets is lacking. The dairy industry would support innovative funding mechanisms for these areas, including grants, low-interest loans, loan forgiveness, etc.

Another way in which USDA could support private carbon markets is to assist in the development and testing of protocols for practices and technologies for which protocols do not currently exist, or in which they may exist, but have no or limited use. From a dairy-producer perspective, protocol gaps exist in the following areas: enteric emission reductions, displacement of commercial fertilizer use through nutrient recycling/efficiency, manure treatment and energy efficiency.

The dairy industry supports the current path of separating the GHG benefit (or water quality benefit) from the commodity, and does not see value in evaluating the assignment of the GHG benefit to the commodity or a hybrid approach. In fact, introducing varying approaches could further complicate the carbon market landscape, which is already perceived as complex.

The dairy industry also would support developing and implementing a "green labeling" scheme as a process verified program (PVP) "shield" that dairy (and other commodities) can use to market sustainable dairy products. Currently no domestic U.S.-recognized sustainability standard exists; dairy, among other commodities, would benefit from a standardized program developed in conjunction with stakeholders. The use of PVPs has grown since the 1990s to be used across a wide range of commodities for both domestic and export marketing purposes. Once established, the PVP "shield" would enable the dairy industry and other commodities to market the sustainability of the product both domestically and internationally.

Each day, dairy farmers strive to earn dairy's place on tables in homes in the U.S. and worldwide while fulfilling commitments to sustainably nourish families for generations to come. The domestic and global dairy markets are more competitive today than ever. Through the Net Zero Initiative, U.S. dairy is working with commercial and NGO partners to identify, implement and scale new technologies and economically viable practices on farms of all sizes. This progress toward environmental improvement will ensure dairy can remain a competitive, climate-smart commodity.

*4. In order to expand markets, what entities should be eligible to apply for funding through the Climate-Smart Agriculture and Forestry Partnership Program? Given that the administrative costs of the Climate-Smart Agriculture and Forestry Partnership Program could be high if USDA were to contract with individual producers or landowners, it makes more sense to work with groups of producers and landowners. For example, eligible entities may include an agricultural producer association or other group of producers; State, Tribe, or unit of local government; a farmer cooperative; a carbon offset project developer; an organization or entity with an established history of working cooperatively with producers on agricultural land, as determined by USDA (for example, a non-governmental organization); a conservation district; and an institution of higher education, including cooperative extension;*

As the Department is evaluating projects to fund in this effort, it should place priority on supporting projects with entities that represent broad, multi-sectoral initiatives, that bring together producers, NGO's and companies in a precompetitive manner. We suggest the Department prioritize projects that will engage a large number of producers in a manner that will support continuous improvement taken to scale to address climate-smart agriculture initiatives balanced with other ecosystem services. Project managers should show a strong track record of project management with proven fiduciary experience.

*5. In order to expand markets, what criteria should be used to evaluate project proposals for receiving funding through the Climate-Smart Agriculture and Forestry Partnership Program?*

We suggest that ranking be given to projects that are offered by groups with fiduciary, project management and conservation capacity, as USDA does with its existing grant and agreement funds. Project holders and leaders should show a strong capacity to deliver conservation technical assistance, or the ability to add that capacity. We suggest that criteria used by AMS in management of the marketing and promotion boards may be transferable to these projects, in that claims and promotions arising from these efforts must be based upon scientific evidence and cannot be used to disparage competing or conventional commodities.

*6. In order to expand markets, which CSAF practices should be eligible for inclusion?*

As outlined in earlier questions, USDA should ensure that the proposed program includes all sources of reducing carbon and greenhouse gases from a dairy operation, including feed production, enteric emissions, manure and nutrient management and on-farm energy use and efficiency. Providing a full suite of practices that address all sources of reducing GHG emissions and carbon sequestration across a dairy operation will ensure that farms of all sizes and farms across all geographies will have a path to participate.

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

Consistent with other USDA programs (i.e., NRCS cost-share programs), USDA should not seek ownership of GHG benefits resulting from implementation funding sourced from the proposed program. Ownership of resulting GHG benefits should be managed by the awardee of the

proposed program with the condition that resulting GHG benefits may not be sold if implementation funding sourced from the proposed program was utilized to directly generate the GHG benefit, provided that the funding is a sufficient enough incentive for the awardee to fully implement the practices or technologies needed to yield GHG benefits for the duration of the practice or technology.

*8. How can USDA ensure that partnership projects are equitable and strive to include a wide range of landowners and producers?*

We urge USDA to take an approach that is equitable to early actors, given the important contributions their efforts have provided. Similarly, we strongly urge that operations of all sizes be able to participate. In order for dairy to realize this program's full potential, it is critical to avoid the imposition of payment limits that would prevent participation by many of the very farmers who have the most potential to make game-changing contributions toward our sustainability efforts. At the same time, dairies of all sizes need to be able to meaningfully access this program, which places a priority on developing and implementing projects that will engage many producers. Again, without comprehensive participation and adequate incentives offered across the full spectrum of dairy, success in achieving the greater goals of climate-smart agriculture becomes much more difficult. Finally, we are eager to partner with USDA and with our memberships to ensure that this new program includes and supports current and future farmers of all backgrounds, further fostering wide-ranging, equitable access to and adoption of climate-smart agriculture across the dairy sector.

With regard to partnerships, Newtrient has a proven track record on delivering on projects through funding provided by various federal, State and private entities. A sampling of these efforts include:

- Vermont Clean Water Fund: Newtrient and partners developed a protocol to quantify, verify and certify practices and technologies that reduce phosphorus loading in Lake Champlain. This project was completed in 2019.
- California Dairy Research Foundation: Newtrient provided technical support to FoodMinds on a project to deliver a market analysis and recommendations for increasing the usage and marketability of manure and manure-based products. This project was completed in 2019.
- Lake Champlain Basins Program: Newtrient and partners enhanced Farm-PREP, an APEX-based model, to quantify phosphorus reductions resulting in water quality improvement. This project was completed in 2020.
- Natural Resources Conservation Service: Newtrient and its partners worked to advance environmental marketplace solutions to improve water quality through a Cooperative Agreement award. The project focused on expanding tools that could be used in market-based approaches to address water quality challenges in both Vermont and Wisconsin. This project was completed in 2020.
- Environmental Protection Agency: Dairy Research Insitute selected Newtrient to execute a 2-year project funded by a grant from EPA's Great Lakes Restoration Initiative to

identify best practices and recommendations for the design of a functional, sustainable water quality marketplace Clearinghouse. This project was initiatied in 2020.

- Natural Resources Conservation Service: Newtrient will evaluate 15 technology systems and practices over a three year period under a Conservation Innovation Grant. This project will evaluate how the selected technologies efficiently use manure to improve water quality. This project was initiated in 2021.

In closing, we thank you for the opportunity to comment and we look forward to continuing to work with you to proactively address today's biggest environmental challenges, including GHG emissions, soil health, water quality and water quantity. Embracing new practices and technologies is key to making America's dairy farmers and manufacturers an environmental solution while providing wholesome and nutritious dairy products to the U.S. and the world. For follow-up questions related to these comments, please contact Chris Kopman at Newtrient (ckopman@newtrient.com or 773-263-9927) or Jamie Jonker at NMPF (jjonker@nmpf.org or 703-243-6111).

Sincerely,

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