

**Committee on Small Business
United States House of Representatives**

Hearing on

Climate Change Solutions for Small Businesses and Family Farmers

Testimony of

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Madame Chair and distinguished members of the Committee, thank you for the opportunity to testify today on behalf of the National Corn Growers Association (NCGA), regarding *Climate Change Solutions for Small Businesses and Family Farmers*. I applaud the committee's efforts to focus attention on the important role the agriculture industry has in the area of climate change and the issues facing rural America.

My name is Fred Yoder. I farm corn and soybeans near Plain City, Ohio and have been an active participant in Climate Change discussions for many years. In December, I had the opportunity to attend and participate in the United Nations World Climate Conference in Poland, where I was able to discuss the role of agriculture in reducing greenhouse gas emissions. Also, in addition to being part of NCGA's efforts I serve on the boards of numerous ad hoc groups, including 25x25 and the Ag Carbon Working Group.

I feel strongly that as Congress moves forward on climate legislation, that agriculture should be considered as part of the broader solution as we evaluate ways to reduce greenhouse gas emissions. Our Nations Corn Growers can play a significant role in a market based cap and trade system through sequestering carbon on agriculture lands. Numerous economic analyses have shown that a robust offset program will significantly reduce the costs of a cap and trade program.

In the near term, greenhouse gas reductions from livestock and agricultural conservation practices are the easiest and most readily available means of reducing greenhouse gas on a meaningful scale. The United States Environmental Protection Agency (EPA) estimates that agricultural and forestry lands can sequester 20% of all annual greenhouse gas emissions in the United States.

Further, agricultural producers have the potential to benefit from a properly crafted cap and trade program. Given these opportunities, it is critical that any climate change

legislation seeks to maximize agriculture's participation and ensure greenhouse gas reductions while also sustaining a strong farm economy.

For years, corn growers along with the rest of the agriculture industry, have been proactively engaging in conservation practices, such as no till or reduced tillage, which result in a net benefit of carbon stored in the soil. In fact, on my farm, I engage in both no till and reduced tillage. For the past five years, I have worked with my state association the Ohio Corn Growers, on a research with Dr. Rattan Lal, on soil carbon sequestration research. As part of our research, we have on-farm research plots at six different locations to study various soils and their carbon capture capabilities. I have been actively engaged from the beginning in defining the research protocols. This is just one example of what our industry has been working on.

NCGA has identified several priorities which I believe are critical elements to the agricultural sector within cap-and-trade legislation. We have worked closely as an industry to compile and identify key principles which have been embraced by a broad cross-section of the agriculture community.

First, NCGA feels the agricultural sector should not be subject to an emissions cap. Any, efforts to regulate greenhouse gas emissions from America's two million farms and ranches would be costly and, burdensome. Regulating agriculture in this manner could result in high costs with limited reduction of greenhouse gas emissions. The agriculture industry accounts for a very small percentage of emissions in the overall economy. In fact our industry accounts for only roughly 7% of all greenhouse gas emissions. Therefore, it would seem unreasonable to concentrate on regulations for such a small and diffuse industry.

However, tremendous environmental benefit can be achieved by allowing producers to provide low-cost, real and verifiable carbon offsets. Any cap-and-trade legislation should fully recognize the wide range of carbon mitigation or sequestration benefits that agriculture can provide. This could include sequestration of carbon on agricultural lands, reduction of emissions from livestock through dietary improvements and manure management, introduction of nitrogen efficiency technologies and a variety of other practices.

In addition, Agricultural offsets have the ability to significantly lower the cost of a cap-and-trade system while achieving real greenhouse gas emissions. Corn Growers and other producers can provide the offsets needed to allow changes in energy production technologies as well as investments in capitol and infrastructure to occur, while providing market liquidity and low-cost emissions reductions to help the market function properly. Furthermore, agricultural offsets could also spur ancillary environmental benefits in the form of clean water, air and better wildlife habitat, while at the same time enhancing the fertility and productivity of the soil resource needed to provide food, feed, fuel and fiber.

Of course, NCGA is closely monitoring the macro-economic impacts of cap-and-trade legislation to ensure that policies do not create an undue burden on the nation's

agriculture sector. We anticipate that the cost of fertilizer, fuel and other inputs will increase under a cap-and-trade system. Corn growers are subject to the volatility of the commodity markets with little ability to recoup costs associated with escalated input prices. Therefore, to ensure a vibrant U.S. agricultural economy in the long-term and an abundant domestic food supply, Congress should structure a cap-and-trade system in order for the cost to farmers and ranchers not to exceed the value of a potential offsets program.

NCGA feels that an important component of creating a successful cap-and-trade system is ensuring that domestic offsets are not artificially limited. Current estimates predict that agricultural and forestry lands can help to reduce up to 20% of greenhouse gas emissions in the U.S. on an annual basis. Therefore, we believe it is unwise and would distort the market if an artificial cap were placed on the amount of domestic offsets a covered entity can use to meet its yearly obligations. The goal should be to remove as much greenhouse gas from the atmosphere as possible. Artificial caps will prevent legitimate carbon sequestration, livestock methane capture, and manure gasification projects from occurring.

Another top priority of our industry, under a cap-and-trade system, includes the role of USDA. NCGA, along with our industry partners, feels that USDA should play a prominent role in developing the standards and administering the program for agricultural offsets. The Department has the institutional resources and technical expertise necessary to oversee a program that has the potential to be massive in scope. USDA has a proven record of working with farmers, in addition to studying, modeling and measuring conservation as well as production practices that sequester significant amounts of carbon. USDA should be given adequate flexibility to implement an offset program which allows them to account for new technologies and practices that emerge. This will in turn result in emission reductions from agricultural sources. We understand that EPA would likely issue the actual carbon credits and ensure the validity of the overall program. However, we feel strongly that USDA should play a key role for the implementation of agricultural offsets.

NCGA also believes that carbon sequestration and greenhouse gas mitigation rates should be based on sound science. There is a large body of scientific data which demonstrates that agricultural soils have the ability to sequester carbon, and technologies are available to effectively measure soil carbon content. In fact, the 2008 Farm Bill included a provision that directs the U.S. Department of Agriculture to develop guidelines and protocols for farmers to participate in a greenhouse gas offsets market. USDA has already begun developing a properly constructed, science based model that includes statistically relevant random field measurements to help maximize agriculture's ability to participate in an offsets market. Any new policies should include provisions for the development of future offset standards and revision of existing standards to account for changing technology and information.

It is also important that USDA establish measurement rates for various offset practices at the national or regional level. NCGA believes in a standards-based approach, rather than a project-based approach for measuring offsets. Real, verifiable credits can be achieved

without direct measurement of each individual offset project; however, third-party auditing can be employed to ensure the credibility of the system. Meanwhile, a project-based approach would be cost-prohibitive, particularly for smaller farming operations and would prevent many producers from participating in the offsets market. We believe that an acceptable level of accuracy is achievable under a standards-based approach with pre-calculated values based on sound science. This should not preclude the development of new technologies or innovative practices that would require initial field testing or project measuring; however, even these new types of credits should eventually transition to standard protocols and values for ease of adoption.

As Congress considers legislative proposals, we believe it is important to provide an initial list of project types that are eligible to be agricultural offsets. Both the regulated community and agricultural sector need assurances that agricultural offsets will be available. The regulated community should have confidence that a sufficient quantity of offsets will be available for purchase in order to comply with a mandatory cap. The agricultural sector needs to have clear direction on project types Congress considers to be eligible, in order to assess the full impact of cap and trade legislation on our industry. An initial, non-exhaustive list of project types in the legislation itself is critical to addressing these concerns. Shifting the burden of decision-making to an entity other than Congress generates uncertainty that should be avoided.

Concerning the question of permanence, it is important to emphasize the concept of contract duration rather than literal definition. The value of the carbon credit would likely have a strong correlation to the length of the contract. For instance, longer contract periods imply more risk for the seller and should result in a higher price. Policies to address reversals, both intentional and unintentional, will also need to be established. Intentional reversals should be considered a breach of contract and the seller would be held responsible based on the terms of the contract. Unintentional reversals, such as instances of natural disasters or other unforeseen circumstances, could be handled through a reserve pool or perhaps a mechanism similar to crop insurance. The bottom line is that risk must be managed appropriately for both the offset buyer and seller, and in most cases, the emphasis should be placed on contract duration rather than permanence.

An issue that continues to be of utmost importance to NCGA is the treatment of early actors in a cap-and-trade system. Agriculture is constantly evolving. As technologies and practices improve, farmers are converting to alternative tillage practices such as no-till or ridge-till. They are reducing fertilizer application rates and enhancing crop uptake of fertilizer nutrients. Some livestock producers are able to use methane digesters and invest in covers for manure storage or treatment facilities while others are able to reduce enteric emissions with dietary modifications. Producers that have taken these steps should not be placed at a competitive disadvantage by being excluded from compensation for future offsets that occur as a result of these ongoing efforts.

For example, some of our members have been participating in the Chicago Climate Exchange (CCX) for the several years. Others have been sequestering carbon through conservation practices outside of a trading market. These early actors should not be penalized for being pioneers in the area of no-till or low-till agriculture. Planting and

tillage decisions are made each year, and there is a no guarantee that a producer will decide to continue the same practice as the previous season. It is faulty to eliminate these early actors from the offset market based upon this assumption. In fact, even continuous no-till farms, which represent a small percentage of all U.S. acreage, have the capacity to continue to sequester additional carbon for many years in a row.

In addition, Congress should not establish policies that offer perverse incentives to producers that have heretofore been sequestering carbon in the soil. Of course, these early actors including those who had previously participated in CCX or other trading regimes would need to meet the new standards and contractual obligations, require ongoing actions by the offset seller to ensure that offsets will continue to occur, and only be paid for the future offsets that are a result of these ongoing actions and not for offsets that occurred in the past.

Finally, it is important to note that many practices undertaken to reduce greenhouse gas emissions will provide additional public benefits, such as clean water, wildlife habitat, and reduced soil erosion. Projects participating in a greenhouse gas offset market should not be excluded from also participating in other markets for environmental services that currently exist or may arise in the future. Allowing producers to “stack” credits will maximize the economic viability of carbon sequestration and manure management projects, ensuring more projects are undertaken and synergies with other environmental priorities are developed. We are hopeful that new climate initiatives will complement existing conservation programs within the Farm Bill.

In conclusion, it is our hope that we can continue to work with Congressional leaders to ensure Congress chooses the best path for agriculture and rural America. Finally, corn growers will continue to meet the growing demands of food, feed and fuel in an economical and environmentally responsible manner.

I thank the committee for its time and look forward to any questions you may have.