

Dairy farmers respond to Newsom's 30x30 order: Restore incentive dollars first

California dairy farmers have one clear message for the Newsom administration when it comes to combating climate change. They are calling for the state to restore incentive grant funding for methane reduction programs so California does not fall behind other states in mitigating dairy emissions.

“If the only incentives are those from the Low Carbon Fuel Standard [LCFS] program, then California’s policies are going to lead to methane reductions everywhere but here,” said Dairy Cares Director Michael Boccadoro during a CDFA workshop last week aimed at gathering industry ideas on climate solutions.



Holstein cows

California created the LCFS to decrease carbon intensity in the transportation fuel sector. It incentivizes several types of low-carbon and renewable alternatives, including biogas from dairy digesters. The program has provided dairy farmers a revenue source to help cover the cost of investing in dairy digesters, since they can pipe the refined methane into existing natural gas systems.

Biofuel advocates have been pushing the Biden administration to adopt some version of California’s LCFS at a federal level. Given that CDFA Secretary Karen Ross once served as

chief of staff for Tom Vilsack, who is returning as USDA secretary, Boccadoro expected the federal administration will be looking at the success of CDFA’s dairy digester program. The state’s Legislative Analyst’s Office (LAO) has found the program to be the most cost-effective among the many emissions-reduction programs.

Since its inception in 2015, CDFA’s dairy digester program has awarded more than \$150 million in incentives and gained more than \$400 million in matching funds. Boccadoro estimated up to 140 projects have been developed or are currently in development. **According to CDFA, that is the equivalent of taking more than four million cars off the road.**

Kevin Abernathy, general manager of the Milk Producers Council, explained that new technologies like this have to be monetized through a revenue stream. It took the industry more than a decade and three phases of technology to establish a sustainable revenue stream. But regulatory costs can create an economic juggling act for dairies.

“One of my biggest frustrations in talking with folks is the fact that they look at things with blinders: Climate change, climate change, climate change,” said Abernathy. **“We don’t have that opportunity in California or nationally.”**

Air quality regulations for criteria pollutants “trump the fact that we have greenhouse gas and climate change,” because emissions regulations are mandatory and often costly, while the state has not mandated climate-smart practices. The technology is also extremely expensive, he said.

“We’ve learned this multiple times through millions of dollars of research in the dairy industry,” said Abernathy. “We have a lot of ‘aha ’ moments. You can do one thing on one side, but it has an adverse effect on the other.”

With the state now switching to electric vehicles and away from natural gas, the dairy industry is expecting less revenue to be generated for renewable biogas. Abernathy said the next phase will be powering hydrogen fuel cells for car charging.

“But as we move forward, by definition, we’re going to be moving to smaller dairy farms,” he said, noting an interest from organic dairies, as well.



Dairy Cares Executive Director Michael Boccadoro

While the overall cost of a digester is less for a smaller dairy, the cost per cow is actually much higher, which is why incentive grants are important, he explained. Along with CDFA’s program, incentives have also come from the California Public Utilities Commission and the California Energy Commission to lower the capital costs. But now those grants and ones for alternative manure management have dried up.

“Without that, it’s going to be much, much more difficult to get these small projects moving forward,” said Abernathy. **“I cannot implore this administration enough to recognize that we need those.”**

In his January budget proposal for the coming fiscal year, Gov. Gavin Newsom zeroed out funding for both the dairy digester and alternative manure management programs, proposing instead a low-interest loan program to cover the costs.

Along with being more expensive, smaller digesters are a higher financial risk and less attractive to the developers building most of the projects in California, said Boccadoro. With LCFS as the

only incentive and one that could soon be nationwide, he imagined dairy digester developers would be more attracted to larger dairies in other states.

"Those grants help level the playing field for California," he said. "It's more expensive to build a digester here. It's more expensive to get it interconnected here. The operating costs are higher, because our energy costs are two to three times higher than in other states." Boccadoro and others stressed that any state climate initiatives must be voluntary.

Debbie Bacigalupi, a cow-calf operator in Siskiyou County, said incentives programs should not restrict land use or require operations to be transformed. She took issue with Newsom's executive order to conserve 30% of the state's land by 2030 and similar top-down proposals, which she said create angry ranchers rather than willing participants.

"I know too many ranchers and farmers across America—but in California especially—who are sick and tired of the regulations," said Bacigalupi, arguing that agriculture is unfairly blamed for greenhouse gas emissions.

She worried what regulatory hoops ranchers would have to jump through next and took issue with the public attitude "of the earth is going to hell in a handbasket because of methane."

Ag Council president reflects on drinking water collaboration

Emily Rooney, president of the Agricultural Council of California, is a member of the advisory group for California's Safe and Affordable Funding for Equity and Resilience (SAFER) drinking water program. She spoke with *Agri-Pulse* about an unexpected coalition that helped bring about the 2019 law and why the issue is important to agriculture.

This conversation has been edited for brevity and clarity.

What is the intersection of drinking water, agriculture and environmental justice?

In the state of California, there's about a million people without safe, affordable drinking water. You have rural areas, urban areas, all over the place, with different environmental and other issues as to why folks don't have access to clean water. There's infrastructure issues, there's environmental issues, there's a whole suite of problems or challenges. Because agriculture has such a strong presence in the rural environment—we live there, we work there, our employees are there—our perspective has been on the rural side of the equation, mostly. We started working with the environmental justice community to try to address the issue from an accessibility standpoint. We went through different iterations of potential legislation and funding scenarios and, ultimately, we ended up where we are now. Gov. Newsom actually took some general fund dollars along with dollars from the Greenhouse Gas Reduction Fund. Now we have the SAFER Fund at the state water board.

What were you mainly hearing from members that led to the Ag Council deciding to be a leader on this question of safe, accessible drinking water?

We were worried that we were going to come up with this patchwork of solutions that wasn't going to be cohesive. We were looking for state dollars to dedicate to the effort. And because there's so much in the rural communities at stake for us, we just wanted to make sure we were part of the solution and trying to resolve the issue. The state of California, we're on the leading

edge of all these environmental solutions and yet we have a million people without clean drinking water. It's a travesty. We really needed to leapfrog on this issue and show some leadership.



Emily Rooney, president of the Agricultural Council of California

How did the Ag Council come to collaborate with environmental justice groups?

What we recognized, and the environmental justice folks would agree, was litigation was not the way to go through this, because you'd end up with money spent on lawyers and not money spent on solutions. That's why we ended up at the table together.

Did you get pushback from within your own ranks?

There's always questions about the kind of work we're doing and the groups we were working with have not always been friendly to agriculture. So, a lot of questions initially, but I think now folks 'get it' a little bit more. [...] There's an acceptance that the better we get at overall water issues, the better we will get in all water issues, right? So even if it's started on drinking water, maybe this relationship can help build other bridges to solve other problems. That proactive mindset is where my membership came from.

Do you think there's an opening for more coalitions?

We were just on another call with them two weeks ago about another water issue. The environmental justice communities are doing a lot of good work in the rural areas and we obviously have a very strong interest in those areas. I see potential collaboration as a big opportunity for us. We're constantly trying to evaluate how we work with the EJ folks that have a presence in rural areas so we can solve some of these problems in a cohesive way.

Were people who came together to work on this surprised that there were so many Californians who didn't have safe drinking water?

When I came into this, I didn't know it was a million people. There was surprise coming into the issue about the depth of the problem. And then there was a surprise when we came out with potential solutions. Nobody thought we could agree to things. There was a big shock there, too.

Have you heard any specifics from a rural ag community with drinking water issues that a concrete solution seems now to be on the way?

Each town has a very unique solution, let's just put it that way. For some of them it's as simple as just consolidating with a local irrigation or water district. But some others are going to require, and have required, water stations and bringing in water from alternative locations. It really depends on geography, topography.

What's giving you pause right now about implementation?

I'm always concerned about the Greenhouse Gas Reduction Fund, its stability and ability to continue to commit dollars to this effort. [...] And, I'm worried that we're going to try to bite off more than we can chew because it's a massive problem. But there are ways to make incremental achievements to solve a lot of the problems. As an example, part of the million people also includes, I think it's roughly 300 schools. And I know at one point, Secretary Blumenfeld, from Cal EPA, was focused on trying to at least get the schools piece addressed. That's one approach that would be another good approach. How do you find the incremental wins? It's an issue that needs to be resolved. I feel very strongly about that.

Indoor farming spreading fast as entrepreneurs tap veggie demand

Surging demand for safe, locally produced fresh vegetables is prompting investors and young entrepreneurs to plant indoor farms that are reaching consumers through some of the nation's largest retail grocery chains.

Although controlled environmental agriculture, known as CEA, is still a small part of overall vegetable production, indoor farming startups attracted more than \$704 million in publicly announced funding in the United States and Europe amid the COVID-19 pandemic.

There are two primary methods of indoor farming: On-ground greenhouses and vertical farms. Greenhouse farming will continue to have more of an impact on the overall fresh greens market, at least in the short term, but vertical farms, which rely on artificial lighting, are being built on a regular basis, typically by young entrepreneurs who often are more savvy about technology than they are about farming.

Experts say the farms can help address a key challenge faced by the food industry, which is sourcing more local and regional produce at scale. Walmart, for example, committed to double its sales of locally sourced produce from 2017 to 2026. And by shortening supply chains and protecting crops from pathogens found in the outdoors such as E. coli, the industry can also limit the impact of outbreaks and recalls.

Some 43% of vertical farms are profitable within the first year, with more than half reporting profitability within four years of starting their farm, according to the *2020 Global CEA Census Report* conducted by Agriitecture Consulting and Autogrow.

One of the nation's largest farm operators, Bowery Farming, headquartered in New York, is building a series of facilities for growing leafy green and culinary herbs. The company's newest farm will be built on a former industrial site in Bethlehem, Pa., as part of an economic redevelopment project.

Bowery will be able to produce 5.5 tons of produce a day, or 20 million clamshell-packaged heads of lettuce a year, which will be sold throughout the Northeast and mid-Atlantic, said company spokeswoman Rachel Alkon.

“Our Bethlehem farm will be the most technologically advanced,” says Alkon. “It is a critical next step in our growth, and its location will allow us to reach 50 million people within 200 miles.”

Since Irving Fain, who grew up in Providence, R.I., founded the company in 2015 at the age of 35, Bowery has raised more than \$172.5 million to build a system of indoor vertical farms. GV, formerly Google Ventures, is one of the firm's investors.

“We are growing pretty rapidly. We had great business momentum prior to COVID, but COVID accelerated our growth,” Alkon said.



Irving Fain, Bowery

Pre-COVID, Bowery products were sold in 100 individual grocery stores. Today they are sold in more than 700, including Stop and Shop, Walmart, Whole Foods, Giant, and Weis, as well as on online platforms like Amazon.

In the coming months, Bowery expects to reach 1,000 stores. Over the past year, Bowery's sales in brick-and-mortar outlets have grown 600% and its online sales have quadrupled.

While Bowery's high-tech farms are more than 100 times more productive than a comparable square foot of traditional farmland, the firm recently hired former Samsung and Google executive Injong Rhee as its chief technology officer to increase use of the firm's already sophisticated proprietary operating system, which integrates software, hardware, computer vision systems, machine learning models, and robotics.

Indoor vertical farms, like Bowery, are typically built in warehouses or other large structures with no access to natural sunlight. The crops are grown on vertical elements or are stacked, often by young farmers who had no experience in farming prior to opening their farm. As of now, these farms typically grow leafy greens and herbs, but at least one farm is pushing the boundaries and will soon start growing strawberries.

According to the 2020 Global CEA Census Report, 60% of 371 respondents operate indoor vertical farms, up 20% from the previous year, whereas 36% have on-ground greenhouses. Nearly half, or 49%, had no previous experience in agriculture when they founded their company, and 79% were under the age of 40.

The two top styles of CEA farming overlap to some degree, but indoor vertical farms have total control over their crops because they are not affected by variations in sunlight, and their crops grow faster. Vertical indoor farms are quick to build and are typically located near large population centers in the northern tier of the country, reducing the time from harvest to consumer from about a week for field crops to one day.

Henry Gordon-Smith, founder and CEO of Agritecture, says while more investment money appears to be flowing into vertical farms, the total volume of product coming out of these farms is probably less than 5% of that coming out of greenhouses.

“There is enormous interest in vertical farming. The U.S. is seeing the biggest share of the investment and it seems to be heating up,” Gordon-Smith said. “Interest is being driven by a lot of different fundamentals — climate change, premium-quality products that are perceived as more environmentally friendly and consumers who appear willing to pay more for these products, and a decline in the cost of LEDs, which accounts for 40% of a vertical farm's capital cost.”

Both government subsidies and the cost of manufacturing components have helped drive down the price of LEDs.

A white paper published by S2G Ventures, *Growing Beyond the Hype*, notes that investment in the CEA space in North America and Europe surpassed \$1.8 billion over the past decade and the median size deal has nearly doubled since 2017. So far, more than 150 investors have put money into North American CEA startup growers, with corporate interest and involvement spanning the supply chain.

In October, the nation’s largest consumer brand of berries, Driscoll’s, and San Francisco-based Plenty, another one of the largest indoor vertical farms in the United States, announced a joint development agreement in which Plenty will produce Driscoll’s strawberries in its indoor vertical farm in Laramie, Wyo.

Softbank Vision Fund and Driscoll’s closed a \$140 million series D round of funding for the startup in October, bringing Plenty’s total funding to \$500 million. Amazon founder Jeff Bezos was an early investor in Plenty.

Like other indoor vertical farms, Plenty says it uses up to 99% less water and a fraction of the land that conventional growers use, as well as no pesticides or herbicides.

The company, founded by Matt Barnard in 2013, sells leafy greens to Whole Foods and Safeway stores in California. “It wasn’t until I moved to California that I learned that a couple of thousand miles and a week in a truck has a way of destroying, what is otherwise, some amazing fresh produce,” Barnard, who unlike Fain grew up on a farm, said in an interview with *Ag Funder News*.

Location is everything for vertical indoor farms, says Jim Pantaleo, an indoor vertical farm adviser in California and conference chair for Indoor Ag Con, an indoor farming trade show.

Plenty’s farm is located about 30 miles from Whole Food’s Bay Area distribution center. While technology has been rapidly improving in this sector, Pantaleo says, “growing strawberries under LED lights is the moonshot, the holy grail.”

New Jersey-based Oishii Berry, founded by Hiroki Koga, is currently growing a cultivar of a Japanese strawberry, the Omakase berry, one of the first times strawberries have been grown in a vertical indoor setting and the first time the cultivar has been grown outside of Japan. The firm sells a package of eight large berries to high-end New York restaurants for \$50.

Gordon-Smith agrees that growing strawberries on a larger commercial scale is an exciting area for indoor farming. “You can technically grow them,” Gordon-Smith says. “I would say it is feasible to have them commercialized in two to three years. The other berries are more difficult. I don’t think we will see blackberries or blueberries anytime soon.”



Henry Gordon-Smith, Agritecture

Greenhouse farming is a more significant CEA area than the more nascent indoor vertical farming sector.

By 2025, S2G ventures projects sales of vegetables and fresh cut herbs for indoor vertical farms will reach \$1 billion and account for 3.1% of total sales, up from an estimated 0.7% this year, while greenhouse sales will surpass \$3 billion, or 9.5% of total sales, up from an estimated 7.1% in 2021. Combined, they will account for nearly 13% of all sales. Looking beyond 2025, S2G Ventures predicts select retailers will invest in CEA operations close to distribution centers, and legacy growers will respond with their own indoor investments as the material impact to their business grows.

Proponents of the industry say the shift will provide a number of benefits. An additional 2.3 billion pounds of product could be produced locally, resulting in a 2-trillion-mile decline in food miles traveled, and a 15% reduction in the need for fresh vegetable imports. It would also reduce waste by 1.3 billion pounds and water use by 330 billion gallons.

While more money is being poured into vertical farms, greenhouse farming has also been making deals.

Minnesota-based Revol Greens raised \$68 million in a funding round led by Equilibrium Capital to build a new greenhouse in Texas, bringing the company's total funding to \$215 million. Revol CEO Mark Schulze says the current round of funding will make the company the world's largest indoor lettuce producer by the end of 2021. With the addition of the Texas greenhouse, Revol will produce 33 million pounds of fresh greens annually.

That compares with more than 4 million for Bowery, but the vertical operation does it using much less land and even less water. Gordon-Smith estimates yields from vertical indoor farms for identical products are about 20% higher than greenhouse yields.

AppHarvest, a developer and operator of large greenhouse farms, recently merged with Novus Capital, a publicly traded special purpose acquisition company, which allowed AppHarvest to go public. The merger provided \$475 million in gross proceeds to the greenhouse developer and operator and an overall company value of \$1 billion. Equilibrium Capital recently provided \$82 million to AppHarvest to open one the world's largest greenhouses at 2.76 million square feet, about 63 acres, in Morehead, Ky., to grow tomatoes. The first tomatoes were harvested in January.

According to Johnathan Webb, the firm's founder and CEO, the greenhouses will supplement natural sunlight with LED lighting, use recycled rainwater, and will produce products for sale in Kroger, Publix, and Walmart stores. AppHarvest recently hired David Lee, the former chief financial officer for Impossible Foods.

“Greenhouse agriculture will have a bigger impact on the food supply, both globally and in the United States, even though greenhouses require more space than vertical farms,” Gordon-Smith said. “I don’t think space will be the issue.”

Pantaleo believes indoor vertical farming will continue to be a supplement for outdoor farming because it requires a fraction of the land and water, offers the most control over food safety channels, and provides a consistently reliable supply, which was confirmed during the early months of the pandemic.

Trump water czar lists Biden policies to watch

Be clear, specific and aggressive at the negotiating table for defining agricultural water policy, advises Aubrey Bettencourt, who served as a deputy assistant secretary in the Interior Department under the Trump administration.

Bettencourt had been working closely with water districts in California and Oregon “right up until the end.” In a seminar for the World Ag Expo last week, she shared her perspective on the new administration – both as a former official and as a third-generation Central Valley farmer.

“It’s not just going to be about being at the table,” said Bettencourt. “It’s being at the table and knowing what you want to order.”

Throughout her long career, Bettencourt had never seen water infrastructure have as much prominence as it did within the Trump administration, and likely not since John F. Kennedy was president. Both the Biden administration and Congress will maintain a strong focus on water, she said, though it will be through the lens of climate and environment. The administrative transition is already bringing “a lot of opportunity” as programs and rules are being pulled back for review.

“We can claim our space, claim our expertise, and really lead into guiding how we want these policies to work,” she said.

Bettencourt was pleased to see agricultural groups “elbow water into infrastructure conversations” on Capitol Hill and with the new administration, with water typically relegated to second-tier status or the bottom rung.



Aubrey Bettencourt, former deputy assistant secretary for the Office of the Secretary, Water and Science Division at the Department of the Interior.

Recent events are also influencing policy, including California’s record heat waves in 2020, which pushed the Interior Department to ratchet up operations at Hoover Dam to backstop the state’s energy grid. Meeting the state’s ambitious climate goals, meanwhile, will require updating hydropower stations and other aging energy, supply and flood control infrastructure, she added.

Bettencourt encouraged trade groups to get aggressive with any infrastructure package, particularly with one older bill being considered from California Rep. Jared Huffman, who represents the North Coast region. The measure would add

certain environmental requirements onto water infrastructure funding provisions, an approach typical to California water bonds. The provisions would likely aim to tear down certain dams.

“The devil in the details,” she said. “Look out for poison pills and things that folks may try to sneak into a big package like that.”

Bettencourt encouraged farm groups to watch closely for any attempts to pull back the last administration's efforts to streamline the permitting process for projects. The State Water Resources Control Board was locked in a battle with the Bureau of Reclamation last year over 401 water quality certifications.

EPA's new approach was to allow projects to move forward if there has been no response after a reasonable amount of time after the project was submitted to the State Water Board for review. To counter this, the Legislature approved measures for the board to fast-track environmental reviews in order to maintain its authority over the permitting process. Central Valley state lawmakers decried the move as a water grab by the state that would hurt farmers and an attempt to stall projects the board did not agree with.

Other key legislation to watch is three recently introduced bills aimed at the reinitiation of the Water Infrastructure Improvements for the Nation, or WIIN Act. Bettencourt said the act was in desperate need of reauthorization, since it plays a critical role in allowing Reclamation to run a number of programs, including for infrastructure operations and water-smart conservation programs. The bills also offer an opportunity to update processes for permitting and project reviews.

"The bureau can't do anything without being authorized to do it specifically," she said.

According to sources on the hill, Bettencourt said to expect certain pieces of infrastructure legislation to return that did not make it into the Water Resources Development Act in 2020.

On the environmental side, Bettencourt has been seeing a lot of activity with nutrient trading, as more finances and requirements are aimed in that direction, and a "massive potential" for carbon credit markets.

"What's going to be important here is coming into that space with specificity as an industry," she said. "Plant your flag, claim your space. We know how to farm."

The concept must be twofold, balancing protection and sustainability with economic sustainability, she explained, adding that it must be affordable to the farmers working directly with that resource. Bettencourt said government is designed to be a regulator and waiting for them to figure out the solutions will put agriculture in a responsive posture, with definitions of carbon credits and programs to be "dictated back" to the industry, which may not achieve economic sustainability. A better approach would be to engage with the corporate sector to back the currency, she argued.

Other opportunities exist in codifying agricultural and urban water reuse into a market-based structure "that gives us credit for the good work we do as a community and as an industry." For on-farm conservation projects, she encouraged farmers to engage with well-established organizations like the USDA Natural Resources Conservation Service as well as ones newer to working with agriculture, such as the National Water Reuse Association. One of the sleepers in the water policy world is the Department of Energy, she said, since it holds a lot of opportunity for industry partnerships.

EPA also has a lot of overreach with water, said Bettencourt. She pointed to three Trump appointees in the agency's Office of Water who came from agriculture at either the state or industry level and can offer insights to the Biden administration's plans. That includes David Ross, who served as EPA's "water chief" in the role of assistant administrator in the office.

“They accomplished an incredible amount and definitely looked out for ag,” said Bettencourt, describing meetings that brought federal officials and agricultural representatives together “to figure out how to keep EPA out of certain things.” This would involve the industry demonstrating existing environmental work for EPA to review and then asking the agency to regulate only when absolutely required. Bettencourt said this would drive effective regulation as opposed to that based on outcome or punishment.

She summed up with a warning to also watch EPA’s science office as it reviews Trump administration changes to water protections and permitting.

“A lot was done to create efficiencies and give a lot of information and a lot of authority back to the states,” she said. “If that gets pulled back, you’re going to have a very strong, slow federal government on a lot of things that run through that office.”

Collapse in CRP acreage poses challenge for climate policy

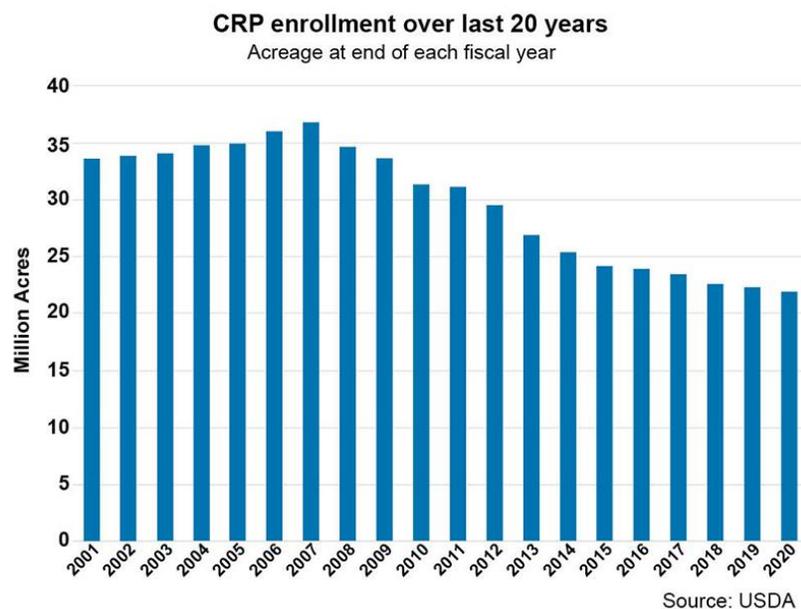
Democrats are preparing to pour money into federal conservation programs as a key way to pay farmers to address climate change. Converting marginal croplands to grass through the Conservation Reserve Program is one way to do it, but the question is whether USDA can get landowners interested in CRP again.

Enrollment in the 35-year-old program has been in steady decline for more than a decade and is now at its lowest level ever as prices of corn, soybeans, cotton are reaching heights farmers haven’t seen for several years.

Fewer than 20.8 million acres are currently enrolled in the program — far short of the 25 million acre limit set by Congress for fiscal 2021 — and 3 million of the existing CRP acres are in contracts set to expire Sept. 30, with another 4 million acres due to leave in 2022.

By comparison, there were 36.8 million acres enrolled in CRP in 2007, the year the current Renewable Fuel Standard was signed into law, helping ignite a boom in corn and soybean demand that prompted many landowners to pull land out of CRP and put it back into crop production.

The Biden administration has extended a signup started in December while USDA officials look for ways to make the program more attractive. Tom Vilsack, who could take over as agriculture secretary as soon as next week, said in an interview in January that expanding CRP will be one of his climate policy priorities.



Wildlife conservation groups say the Trump administration depressed interest in CRP by cutting payment rates and other financial incentives excessively.

But it's far from clear that Vilsack can significantly boost interest in the program simply by making adjustments to payment rules.

Former House Agriculture Committee Chairman Collin Peterson, who is in talks with lobbying firms about working on agriculture and climate policy, says Congress should increase the acreage limits on CRP significantly, using money provided by a climate bill, and mandate that USDA enroll enough acreage to meet the caps. That would be a dramatic change in CRP policy; USDA isn't required now to meet the enrollment caps.

Expanding CRP "is the most surefire way to a significant reduction" in agricultural greenhouse gas emissions, Peterson said. Land planted to grass under 10-year or 15-year CRP contracts keeps carbon in the soil that would otherwise be released through tillage, and it also avoids emissions of nitrous oxide that result from applying nitrogen fertilizer to crops. Existing CRP acreage is sequestering an estimated 49 million tons of carbon, the equivalent to taking 9 million cars off the road, according to USDA.

"Let's tweak this to make it farmer friendly, to make it climate friendly, and if we have extra money, use that money to make sure these programs work," said Peterson.

One political benefit of expanding CRP is that it could benefit farmers and landowners in drier areas of the country where producers may have a harder time earning credits through practices such as cover crops.

After losing election in November, Peterson introduced legislation to mandate that USDA enroll up to 50 million acres in CRP. His intention, he says, was to ensure that expanding CRP would be a key part of the climate debate.



Former House Ag Chair Collin Peterson

But he acknowledges that expanding CRP faces political as well as practical challenges. Grain processors and livestock producers have long resisted increases in cropland retirements that significantly increase commodity prices.

Advocates for beginning farmers say expanding CRP makes it harder for them to find acreage. And then there's the question of how you get landowners to enroll acreage without substantially increasing CRP payment rates to above local land rental rates.

Peterson believes USDA should target "marginal land that probably shouldn't have been farmed in the first place and pay a decent rental rate ... in excess of what they can get renting it out for farmland."

But he concedes that there is a "fine balance" between paying too little for CRP acreage and paying so much for it that local farmers can't obtain the land they need. "If you go out there and pay too much then you get a backlash ... from within these local communities," he said.

The 2018 farm bill required reductions in CRP payment rates as a way to offset the cost of gradually increasing the enrollment cap from 24 million acres to 27 million acres and to address complaints that CRP payments were exceeding local rental rates in Iowa and other areas. (The limit rises to 25.5 million acres for FY21.)

Payment rates are now generally capped at 85% of county average rental rates for acreage enrolled under the general sign-up and at 90% of local rental rates for more environmentally sensitive land enrolled under the continuous sign-up.

Wildlife groups say the Trump administration had flexibility with the payment caps that it didn't use — the farm bill didn't require the caps to be applied to new CRP contracts — and USDA cut some incentive payments more than it had to. For example, USDA can legally provide practice incentive payments of up to 50% of the practice cost; instead, the department limited the amount to 5% for most of 2020. In December, USDA announced it would increase the rate to 20%. There are currently 6.4 million acres of CRP land enrolled under continuous sign-up.

“We were surprised to see the cuts that went beyond the intent of the farm bill,” said Jim Inglis, director of government affairs for Pheasants Forever. He said for some landowners, the payment caps mean CRP will pay less than it did 10 to 15 years ago.

Bill Northey, who was USDA's undersecretary for farm production and conservation during the Trump administration, says the department was trying to carry out the intent of Congress to keep CRP from overpaying landowners and providing excessive cost-share assistance for seeds.

“You have to be very careful about overpricing CRP so that people decide to do that because it just pays a little more,” Northey said.

“The return should be there so that people can do good conservation practices ... and still get an economic return, but it shouldn't be at a place where it's taking land out of production, and landlords are retiring and taking it away from existing tenants.”



Former USDA Undersecretary Bill Northey

But there's also a time lag between when rental rates are surveyed and when land goes into CRP that makes it challenging for USDA to set payment rates, says Northey. **Payment rates for the current general sign-up are based on rental rate surveys done in 2019. Newly enrolled land won't enter the program until this fall.**

Northey said he isn't entirely sure why interest in the program has been lagging in recent years — or what it will take to expand the program significantly, especially when commodity prices are surging. USDA re-enrolled a portion of the 4.4 million acres that were in contracts that

expired last September and wound up with a net loss in the program at the end of the year of about a million acres.

A year ago, USDA was projecting that farmers would make an average of \$3.85 a bushel on their 2021 crop. The average price of the 2022 corn crop is now forecast at \$4.30 a bushel, and futures prices are much higher than that. Corn for March delivery was trading for more than \$5.50 a bushel on Tuesday.

“There is an inherent challenge (in enrolling CRP land) in times of high prices, where people can be profitable in farming and renting the land out,” Northey said.

GOP targets ag district Democrats in 2022 but faces vulnerabilities within

The battle to control the House of Representatives in the 2022 midterm elections could come down to efforts in a handful of rural districts.

House Republicans are targeting 47 Democratic seats as they look to take back the majority in 2022, including nine seats in significant agricultural districts. Democrats have their eyes on several GOP House members in rural areas where Democrats have done well in recent elections.

Some rural GOP-held seats also could be wiped out by redistricting as a result of the 2020 Census.

The National Republican Congressional Committee, the House GOP's campaign arm, is calling the 47 seats “offensive opportunities” and calls 29 incumbents “Battleground Democrats.” In those 29 districts, President Joe Biden lost the district, or the 2020 presidential or congressional margin was within 5%.

“We will stay laser-focused on recruiting talented and diverse candidates, aggressively highlighting Democrats’ socialist agenda and raising enough resources to win,” NRCC Chairman Tom Emmer said.

Democrats currently control the House, 221-211. There are three vacancies; two that were won by Republicans who later died from COVID-19, and a third that was vacated by Louisiana Democrat Cedric Richmond, who resigned to serve in the White House.

Steven Schier, political science professor emeritus at Carleton College in Northfield, Minn., said Republicans are looking at a variety of places where they can improve their vote.

“A number of these are agricultural districts or what I would describe as districts with a large agricultural component,” Schier told *Agri-Pulse*.



Rep. Cheri Bustos, D-Ill.

Among the 29 Battleground Democrats are the nine ag district incumbents being targeted by the NRCC: Tom O'Halleran of Arizona, Cindy Axne of Iowa, Cheri Bustos of Illinois, Angie Craig of Minnesota, Antonio Delgado of New York, Henry Cuellar of Texas, Filemon Vela of Texas, Abigail Spanberger of Virginia and Ron Kind of Wisconsin. Spanberger and Bustos survived especially close races in November.

“What Democrats like Bustos and Spanberger need to do is to identify themselves somewhat separate from the more urban and progressive elements of their party,” Schier said.

Spanberger already did that on a Democratic caucus call Nov. 5, 2020, where she reportedly chided some in the party for embracing terms like "socialism" and "defunding" the police.

Spanberger narrowly beat her Republican challenger 50.8% to 49%. Bustos — the leader of the House Democratic reelection efforts for the 2020 elections — topped her rival 52% to 48%.

The biggest casualty in farm country however, was the ousting of former House Agriculture Committee Chair Collin Peterson, D-Minn. He was defeated by Republican Michelle Fischbach in the state's 7th District.

“Republicans are going to look at that playbook and see if they can replicate that in other districts that are somewhat rural but are represented by Democrats,” Schier said.

But Republicans have their own vulnerable members to worry about as Democrats attempt to make freshman lawmaker Marjorie Taylor Greene, R-Ga., the face of the party. Greene has told GOP colleagues she regrets her past support of QAnon, but House Democrats, along with 11 Republicans, stripped her of her committee seats.

The Democratic Congressional Campaign Committee is also going after Rep. Don Bacon R-Neb., a member of the House Agriculture Committee. Biden got 56.4% of the vote in Bacon's



Rep. Don Bacon, R-Neb.

Omaha-area district. Democrats have already begun running attack ads against Bacon, attempting to tie him to QAnon as well as the Capitol Hill riot on Jan. 6 after his vote against impeachment.

Other Republicans Democrats are going after include House Minority Leader Kevin McCarthy of California, and Reps. Lauren Boebert of Colorado, Mike Garcia of California, Beth Van Duyne of Texas, Maria Salazar of Florida, Brian Fitzpatrick of Pennsylvania, and Young Kim and Michele Steel of California.

Schier said Iowa's 1st and 2nd Districts deserve a lot of attention too. In the 1st District, Republican Ashley Hinson ousted freshman Democrat Abby Finkenauer in 2020. In Iowa's 2nd District, Republican Mariannette Miller-Meeks defeated Democrat Rita Hart by a mere six votes. Both were vying to fill retired Congressman Dave Loebsack's seat. Miller-Meeks is currently seated on a provisional basis as the House Administration Committee reviews the 2nd District race.

“Those will be competitive districts going forward, and that’s one state where two Republican seats are at risk,” Schier said.

Despite being many months away, he also said redistricting of congressional districts should also be kept in mind and will affect the future agricultural representation. Several Midwestern states could lose seats in rural areas. Even in Texas, which is expected to pick up as many as three new districts, at least one major farm district in west Texas reportedly could be eliminated if the Republican-controlled Legislature needs to shore up other GOP districts.

“Redistricting throws everything up in the air because we don’t know how the districts are going to be drawn. Some rural areas are going to lose representation,” Schier said.

He also expects more partisanship and polarization on farm policy moving forward. Schier said Peterson was good about working across the aisle to bring both sides closer together, but it will be more difficult now.

“It’s now going to be harder for that to happen in the future because Democrats and Republicans oppose each other on so many aspects of public policy,” Schier said.

EU farmers contest South America trade pact

European farmers and ranchers offered their support as the EU signed pacts with Mexico, Japan, Singapore and South Korea, but they are raising alarms now over a massive deal with four South American countries that make up the Mercosur trade bloc.

The EU and Mercosur — Brazil, Argentina, Uruguay and Paraguay — signed a draft of the bloc-to-bloc pact in 2019 and talks to finalize it are ongoing.

European negotiators traded away increased access for South American beef, poultry, sugar and poultry in exchange for the ability to sell more cars and other products to Mercosur, and the result will be devastating for European farmers, according to some of the biggest agricultural organizations in the European Union.

Farmers in Europe are already bracing for more regulations and production expenses under the proposed European Green Deal, but under this new trade pact, they are also going to be asked to compete with billions of dollars of new South American imports, says Daniel Azevedo, director of commodities and trade for COPA-COGECA, the largest umbrella group for European farmers and cooperatives.



Daniel Azevedo, COPA-COGECA

It’s simply not fair to ask European producers to contend with influxes of commodities that are cheaper and sourced from countries with comparatively lax standards, he told *Agri-Pulse*.

For example, Mercosur farmers are free to use pesticides that contain dozens of chemicals that are banned in the EU.

The expected impacts on beef and poultry trade are good example of the problems that the European producers fear, according to the EU's Association of Poultry Processors and Poultry Trade, or AVEC, COPA-COGECA and other groups.

The European Union already imports about 262,700 metric tons of beef from Mercosur countries, but the trade pact would lower tariffs and create tariff rate quotas to allow in an extra 99,000 tons, according to the producer groups.

EU government officials who communicated with *Agri-Pulse* mostly dismissed the fears, pointing to a [study](#) showing “a limited impact on prices and production” and stressing that the agreed-upon tariff rate quota is too small to hurt European producers.

The study includes the impacts from 12 separate free trade agreements that have either been completed or are close to be completed — such as the pact with Mercosur.

“For certain sensitive products such as beef, poultry, sheep, sugar, and rice, imports are indeed projected to increase,” said one EU official who asked not to be named in this article. “However, the study shows that whenever a realistic outcome for trade agreements is modeled, notably granting preferences under the form of TRQs — the impacts on the EU agri-markets are manageable, with limited impacts on price and production levels.”

But when it comes to beef, the study is clear that European imports will rise significantly, and much of that increase will be a direct result of just one FTA — the Mercosur pact.

European beef imports would increase by as much as the equivalent of \$744 million annually, and \$511 million of that total would be from Mercosur countries, the report concludes.

Overall, the report concludes that Mercosur agricultural exports to the EU will increase by about \$2 billion, but one government official says that amount isn't as high as it may seem because “those gains will be distributed over sectors and there will be no particular product where the increase in imports from Mercosur will be overwhelming.”

The European farm groups disagree strongly.

“The market access that we will be granted (in Mercosur markets) in terms of wine, dairy, olive oil and some fruits and vegetables will not compensate for the losses in other sectors,” Azevedo said.

When it comes to beef, even a small amount of imports can have a huge impact, say the European farm groups.

The European Commission argues that it's letting in only a little more than 1% of European production, but the farmers say Mercosur exporters will only be shipping high-value cuts, representing about 8% of the cow, and that translates into 30% of the market returns for beef producers.

“After the deal is implemented with Mercosur, overall imports of high-value cuts will represent almost 30% of EU production,” according to an [animated video](#) released by the European farm groups. “This deal will transfer the bargaining power to third countries, lower the overall price and the replacement of 2 million (calves) in Europe.”

While industry representatives, like Azevedo and Jean-Baptiste Boucher, the communications director for COPA-COGECA, say their farm group members across the EU are not yet advocating for the abandonment of the Mercosur trade pact, that could quickly change if it is not modified to address their concerns.

Time is running out to get that done, says Boucher. That’s why the farm groups have begun a social media campaign to reach out to the European Parliament — the only directly elected body in the EU, where officials represent member countries. Parliament, he said, is not yet fully onboard with the trade pact.



Jean-Baptiste Boucher, COPA-COGECA

“This is a good time to put forward our understanding to all the stakeholders in Parliament and explain why we can’t support this agreement,” Azevedo said. “We know the European Parliament has already made clear to the European Commission that the current text that has been completed will not have the support of the European Parliament.”

And that’s why the European Commission reached out to the Mercosur countries about a year ago to propose a separate agreement that will be annexed to the pact. It’s that annex where the farm groups hope to see their concerns addressed, but time is running out and changes will be difficult, say Azevedo and Boucher. The commission is pushing to get the annex approved by the end of June, but it will likely be at least a couple more years before the EU can completely ratify the trade pact, they said.

News Briefs:

California Tops USDA NASS Vegetables Report for 2020. California continues to lead the country in vegetable production, though acres planted in 2020 dropped 3% compared to 2019 across a selection of 26 vegetable and melon crops. That’s according to USDA’s Vegetables 2020 Summary. The report also found the value of those crops dropped slightly less than 1%, to \$7.68 billion, down from \$7.74 billion in 2019. The pandemic impacted labor supply for harvesting some crops and market demand for others. “Growers plowed under broccoli due to limited demand by the hospitality industry,” USDA NASS wrote in a California summary of the national report. And while the weather favored cantaloupes in 2020, its inconsistency interrupted the flow of ripe tomatoes, which was then further hampered by fires. “Wildfires that raged through the state in late summer and early fall slowed the processing tomato harvest,” the report noted.

Ag groups back Bronaugh nomination. A broad swath of nearly 60 food and ag groups have thrown their support behind Jewel Bronaugh’s nomination to be the next Deputy Secretary of Agriculture. Bronaugh, the current Virginia Ag Commissioner, was selected for the position in January. If confirmed, she would be the first woman of color to hold the number two spot at USDA. In a letter to Senate Ag Committee leadership, the groups ask the panel to “quickly approve her nomination.” “In Dr. Bronaugh’s service as a Cooperative Extension Specialist, university dean, USDA-FSA State Executive Director, and most recently as the 16th Commissioner of the Virginia Department of Agriculture and Consumer Services, she has committed herself to fair and equitable administration of the laws and policies within her areas of

responsibility,” the groups said. The signers include the American Farm Bureau Federation, National Farmers Union, National Milk Producers Federation, and a wide array of commodity groups. They say they are “confident that she will provide outstanding leadership in service to our nation as USDA’s Deputy Secretary.” So far, the Senate has yet to confirm any Biden-nominated officials to USDA. Tom Vilsack, nominated for a second term as Ag Secretary, advanced through the Senate Ag Committee on a voice vote and is scheduled for full Senate consideration next week. The committee has not announced any timeline to consider Bronaugh’s nomination.

USDA extends eviction and foreclosure moratoriums. The Department of Agriculture is extending its moratorium on evictions and foreclosures on home loans that might be lagging in payments due to the COVID-19 pandemic. The moratoriums have been extended through June 30, 2021. USDA announced in a release Tuesday. The policy applies to the department’s Single Family Housing Direct and Guaranteed loans issued through the Rural Development Office. “USDA recognizes that the COVID-19 pandemic has triggered an almost unprecedented housing affordability crisis in the United States,” Justin Maxson, USDA’s deputy undersecretary for Rural Development, said. “That’s why USDA is taking this important action today to extend relief to the hundreds of thousands of individuals and families holding USDA Single Family Housing loans.” Maxson also noted the need to address “more robust and aggressive actions” through the Biden administration’s \$1.9 trillion COVID-19 relief measure currently making its way through Congress. The moratorium does not apply to vacant or abandoned properties. Lenders are to outline “potential solutions that may be available at the end of the forbearance period and explain to borrowers that a lump sum payment of the arrearage will not be required,” USDA noted. No fees, penalties, or interest should be accrued during the forbearance period. The move extends an initial moratorium announced on the first day of the Biden administration.

Farm Hands West: Ippolito hires Heinz

Ippolito International has brought **Greg Heinz** on to its sales team, based in Salinas. Bringing 15 years of experience, Heinz previously worked at D’Arrigo Brothers California in sales and commodity management.

USDA tapped **Monica Rainge** to serve as the deputy assistant secretary for civil rights. Rainge is an agricultural lawyer and mediator and has worked in the public and private agricultural sectors for more than 25 years. She most recently served as the director of land retention and advocacy for the Federation of Southern Cooperatives/Land Assistance Fund.

Julie Su’s nomination has been sent to the Senate to become deputy secretary of labor. Other recently submitted nominations include **Polly Ellen Trottenberg** to be deputy secretary of transportation; and **David Turk** to be deputy secretary of energy.

Sen. **Tammy Baldwin**, D-Wis., has been named the new chair of the Senate Ag Appropriations Subcommittee. Baldwin has served on the panel since 2015, and will also serve as a member on the subcommittee on energy and water development.



Monica Rainge

The National 4-H Council has selected **Ivan Heredia** as its new senior vice president and chief marketing officer, effective March 1. Heredia previously worked at the Walt Disney Co. as vice president. He also served as an adviser and executive mentor on Disney Channel's leader and learning advisory board.

Dr. **Ngozi Okonjo-Iweala** of Nigeria has officially been tapped to lead the World Trade Organization. Okonjo-Iweala is a Nigerian economist and former finance minister. She will assume the post on March 1.

The California Fish and Game Commission has picked **Peter Silva** to succeed **Eric Sklar** as president. The commission also reelected **Samantha Murray** as vice president.

Jennifer Van der Heide has left Capitol Hill for Department of the Interior to be chief of staff. She previously was the chief of staff for Rep. **Deb Haaland**, D-N.M., who has been nominated to be the Interior Secretary. **Andrew Wallace** has also joined Interior as the director of congressional affairs. He previously was the chief of staff for Sen. **Tom Udall**, D-N.M.

Laura Daniel Davis has moved to Interior as the principal deputy assistant secretary of land and mineral management. Davis worked at the department during the Obama administration as chief of staff to Interior secretaries **Sally Jewell** and **Ken Salazar**. She most recently worked at the National Wildlife Federation as the chief of policy and advocacy. To view a full list of Interior appointments, click here.

The National Wildlife Federation has not filled Davis's former position, but **Abby Tinsley** has been promoted to associate vice president of policy and government affairs. She was previously the senior director of government affairs.

New staff additions have been made for the minority side of the Senate Ag Committee. **Pam Miller** will be senior professional staff for nutrition and food aid. Miller comes to the committee from USDA, where she served as the administrator of the Food and Nutrition Service. **Dudley Hoskins** is professional staff and counsel for forestry, pesticides, biotech and the Agricultural Marketing Service. Hoskins most recently worked at USDA as a senior adviser. Before joining USDA, Hoskins worked at the National Association of State Departments of Agriculture as public policy counsel. **Skylar Sowder** is now professional staff for Title I commodity programs, grain inspection and crop insurance issues. She previously worked in the personal office of Sen. **John Boozman**, R-Ark., as his agriculture legislative assistant. **Patrick Creamer** also comes over from Boozman's personal staff, and is now the minority communications director.

DeShawn Blanding is a new staff assistant on the majority side of the Senate Agriculture Committee. Blanding previously was a policy and advocacy coordinator at Rural Coalition.

Caleb Crosswhite has returned to the House Ag Committee as the Republican senior counsel. He has been at the Department of Agriculture the last two years as a senior adviser and counsel. Before that, he was former Rep. **Mike Conaway**'s, R-Texas, deputy chief counsel and professional staff member on the Ag Committee.



Dustin Davidson

Dustin Davidson has been named the new director of government relations for Waterways Council Inc. Davidson most recently served as a professional staff member for the House Select Committee on the Climate Crisis, addressing energy, environment, and resiliency issues. He also served as Rep. Garret Graves’s, R-La., legislative assistant focusing on energy, environment, agriculture and trade issues.

James Cho has started a new role with the Biden administration, serving as the deputy director of legislative, congressional and intergovernmental affairs with the Office of Personnel Management. He most recently served as Rep. **Norma Torres**’s, D-Calif., chief of staff. **Matt Alpert** has come on as Torres’s new chief of staff.

James Green has joined the staff of Rep. **Teresa Leger Fernandez**, D-N.M., as a legislative assistant. He will cover the portfolio for energy, environmental protection, foreign trade, public lands and natural resources, science and technology, and transportation.

Anthony Ching has left the office of Rep. **Ed Case**, D-Hawaii. **Ben Chao** has taken over the portfolio for appropriations, oceans, commerce, and science; and **Kainan Miranda** has taken over the portfolio for the interior, appropriations, natural resources, environment, and transportation.

The National Association of Conservation Districts has tapped new leadership. **Michael Crowder**, Wash., was sworn in as president. **Kim LaFleur**, Mass., was elected first vice president; **Ian Cunningham**, Minn., was elected as second vice president; **Gary Blair**, Miss., was elected to serve as the association’s secretary-treasurer; and immediate past president is **Tim Palmer** of Iowa.

Mandy Gunasekara has joined The Alliance for Innovation and Infrastructure board of directors. Gunasekara is the former chief of staff at the Environmental Protection Agency and earlier in the administration, she served as the principal deputy assistant administrator for the Office of Air and Radiation.

Pilgrim’s Pride Corporation has tapped **Matthew Galvanoni** as global chief financial officer, effective March 15. Galvanoni served as vice president of finance at Ingredion Incorporated since 2016.

Kent Fountain of Georgia was reelected chairman of the National Cotton Council for 2021. **Ted Schneider** of Louisiana was reelected to the position of vice chairman.

Ford B. West, 73, of Davidsonville, Md., died on Feb. 14 after fighting a courageous 15-year battle with metastatic, castrate resistant, prostate cancer. A veteran of the Vietnam War, he attended North Carolina State University where he earned a Master of Science in Food Science. He began his professional career with the National Canners Association



Kent Fountain

and in 1979, he joined The Fertilizer Institute, later becoming president in 2005. West was with the Fertilizer Institute for 34 years.

Food industry veteran from Southern California, **Paul Christianson**, died on Feb 4. He was 73. Christianson joined the Keebler Company as an account manager in Kansas City in 1971, and later moved south to Arizona to become a zone manager. He then accepted a promotion to Southern California to be the national accounts manager. In 1986, he joined Carl Buddig and Company as western regional manager, and in 2002, he joined the Los Angeles Times as the retail sales manager for advertising.

Best regards,

Sara Wyant
Editor

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