TESTIMONY OF ROB LAREW
PRESIDENT
NATIONAL FARMERS UNION

SUBMITTED TO THE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY OF THE UNITED STATES SENATE

"Legislative Hearing to Review S. 3894, The Growing Climate Solutions Act of 2020"
July 24, 2020
G50 Dirksen Senate Office Building
Washington, D.C.

Chairman Roberts, Ranking Members Stabenow, and members of the committee:

Thank you for the invitation to testify today on the Growing Climate Solutions Act and your long-standing leadership on climate issues. NFU appreciates the work you did to highlight the potential of agriculture as a climate solution in the hearing last summer and in prior congresses and looks forward to working with you on the legislation in front of you today. NFU supports this bill as a sound first step in developing strong bipartisan climate policy for America's family farmers and ranchers that will provide certainty as they look to engage in the market opportunities presented by the sequestration of carbon.

I am Rob Larew, president of the National Farmers Union, an organization that works to improve the wellbeing and economic opportunity for family farmers, ranchers, and rural communities through grassroots-driven advocacy. As a general farm organization, NFU represents about 200,000 members across the country who come from all segments of agriculture.

NFU climate policy overview

Climate change is the single greatest long-term challenge facing family farmers and ranchers, rural communities, and global food security. NFU members have long recognized that the climate is changing; that those changes are affecting all aspects of their operations; and that farmers and ranchers, if provided the right tools, can be a key part of a solution that looks to make America more resilient and reduces atmospheric carbon.

Ten years ago, as the debate over cap-and-trade raged in Congress, NFU warned this committee of the costs on inaction on climate change.[1] Over time, we have seen that changing growing seasons, precipitation patterns, and pest pressures, and increasingly frequent and severe weather events have made what is already a tough and risky business even more difficult. Congress failed to act then on cap-and-trade, and progress on an economy-wide effort to address climate change stalled. Since then, global temperatures have continued to rise—the 2010s were the hottest decade recorded in world history—a trend that scientists expect to continue.[2] Many of the risks to family farmers and ranchers that were raised then have come to pass.

But we still recognize that agriculture can also be part of the solution to climate change—that was why NFU supported cap and trade, and why we continue to push for strong climate policy. Farmers and ranchers can reduce greenhouse gas emissions on a meaningful scale through soil and biomass sequestration. Land management practices that sequester carbon also promote healthy soils that hold water in times of excessive moisture and make it available in times of drought, mitigating some of the effects of climate change and making the land and nearby communities more resilient to changing weather patterns and extreme storms. Farms and ranches are also well positioned to contribute to a clean energy future thorough the production of renewable energy and biofuels, which will be key in ensuring the United States' long-term energy security. Many farmers are already taking these actions

[1] Testimony from NFU President Roger Johnson to the Senate Agriculture Committee, July 22, 2009: https://www.govinfo.gov/content/pkg/CHRG-111shrg56563/html/CHRG-111shrg56563.htm

[2] NOAA/NASA Annual Global Analysis for 2019: https://www.ncdc.noaa.gov/sotc/briefings/20200115.pdf

and developing new practices, revenue streams, and business models that will lead the United States to a more sustainable future.

Agriculture must be a component of an economy-wide solution to reduce total emissions and mitigate and adapt to the effect's climate change. NFU supports a comprehensive federal approach to climate change that supports the leadership of family farmers and ranchers as they make the best decisions for their land and operations and work to implement practices to improve soil health and adapt to changing weather and pest pressures, sequester carbon, and reduce emissions. Climate policy must build on the U.S. Department of Agriculture's (USDA) voluntary, incentive-based conservation programs that allow for farmer choice and flexibility; spur on-farm production of energy and expand the use and availability of biofuels; and encourage markets that appropriately compensate farmers for the goods and environmental services they provide. It is through a combination of these activities, and a commitment by the government to ensure that tools are available to farmers of all sizes, production types, socioeconomic groups, and backgrounds have access to tools and resources to make the right decisions for their land and operations.

The state of the farm economy

The need for strong climate action comes as U.S. family farmers and ranchers face an uncertain economic future. Low commodity prices and unstable export markets have been exacerbated by the COVID-19 pandemic, which has roiled domestic markets and exposed weaknesses in the food supply chain and farm safety net. Farm debt is on the rise and bankruptcies are at the highest rate since 1981 despite record farm payments by USDA.[3]

Family farmers and ranchers care deeply about their land and have for decades implemented conservation practices and adopted technologies to reduce inputs and protect natural resources. However, climate change presents new challenges that science is increasingly showing will require new tools and different solutions. At a time when farmers and ranchers are perhaps most in need of investment to ensure the climate resiliency of their operations, they often do not have the resources to do so. Losing a family farm not only ends what could have been a generations-long way of life but also puts strain on the food supply and rural communities.

We must accept that farmers and ranchers can no longer alone bear the cost of the environmental services and public good that they provide. Climate policy must be developed that ensures farmers and ranchers are compensated to appropriately address the externalities of food, fuel, and fiber production and encourage markets and other opportunities that pay farmers to sequester carbon and mitigate the effects of climate change. If done right, such policy can result in a strong agricultural economy and ensure the longevity of rural communities.

The potential for carbon markets

Improving the resiliency of America's private lands and realizing the broad potential for terrestrial sequestration of carbon in agricultural soils will require work and attention from both the public and

[3] USDA Economic Research Service: https://www.ers.usda.gov/topics/farm-economy/farm-sector-incomefinances/assets-debt-and-wealth/

private sectors. USDA programs and government funding will be needed to assist some farmers and ranchers, but they cannot fix the climate crisis alone. There is already growing corporate and consumer interest in carbon emissions reductions and voluntary carbon markets are being built to meet these private sector demands. The government must encourage these activities while ensuring adequate protections for farmers.

Carbon markets with strong private sector participation can create a sustainable revenue stream for farmers as they work to sequester carbon—in many ways treating carbon sequestration as a commodity that can be traded and sold. Through these systems, companies can pay to offset some of their emissions through the purchase of sequestration credits from agricultural sources. Carbon markets put a value on the public good provided by agricultural carbon sequestration and take pressure off the government to fund climate-focused changes to agricultural land operation and management.

This idea is not new, and carbon markets do work. In 2006, North Dakota Farmers Union (NDFU) and NFU created the National Farmers Union Carbon Credit Program, which served as an aggregator of carbon credits that were traded on the Chicago Climate Exchange (CCX)—a voluntary carbon market. NDFU worked to protect the interest of farmers in the market and sold credits that were earned on a per-acre basis through the implementation of no-till and reduced-till cropping, long-term grass seeding, intensive rangeland management, and afforestation. Farmers engaged in the program for both environmental and economic reasons--certainly not all participants necessarily believed in climate change, but they did recognize the value of investing in the land and in having another revenue stream. By 2010, NDFU was the largest aggregator of agricultural soil credits in the United States and distributed more than $7.4 million to 3,900 farmers across five million acres. All told, these farms and ranches sequestered about 7.6 million tons of carbon over that timeframe. CCX folded in 2010 after the Waxman-Markey climate bill failed in the Senate, bringing an end to the NDFU-NFU program.

The push for voluntary carbon markets has seen a resurgence recently as companies, farmers and ranchers continue to recognize the potential to spur both environmental and economic sustainability. NFU is a member of the Ecosystems Services Market Consortium (ESMC), which works with farmers, food companies, and other actors in the supply chain to create a voluntary, market-based approach to incentivize farmers and ranchers to implement conservation practices that provide quantified ecosystem benefits.[4] Once the market is fully operational, ESMC will buy credits from farmers based on environmental improvements and carbon sequestration on their land and sell them to companies and others looking to reduce their environmental footprint. The group is testing its protocols in pilot projects and plans to launch the market in 2022. ESMC is not alone in trying to develop carbon markets for agriculture: Indigo Ag and Nori, both private companies, are also working toward this goal.

The Growing Climate Solutions Act

The Growing Climate Solutions Act lays a foundation that will allow the private sector and government to build market-based solutions to climate change that appropriately work with and compensate farmers and ranchers. The bill for the first time gives USDA a formal non-regulatory role in voluntary

[4] ESMC About Us: https://ecosystemservicesmarket.org/about-us-2/

carbon markets, sending a strong signal about the legitimacy of those markets and providing reassurance to family farmers and ranchers interested in participating.

The Greenhouse Gas Technical Assistance Provider and Third-Party Verifier Certification Program created by the bill would ensure appropriately trained third party service providers are available to assist farmers and ranchers as they work to sequester carbon and generate revenue from the sale of offsets on their land. The advisory council created in the bill will provide valuable insights to USDA on the operation of these private markets and the role and participation of farmers in them, while reporting requirements will help Congress to monitor the growth and activities of the markets and prepare for future needs of farmers and ranchers.

At NFU, we are also interested in how the Growing Climate Solutions Act can serve as a base for further efforts to ensure farmers are paid a fair price to sequester carbon and combat the climate crisis. Certainly, there are lots of ideas on the best way to do this. Some, including committee member Sen. Bennet, say that farmers and ranchers should have access to a carbon sequestration tax credit, which Congress has already enacted for other industries.[5] Meanwhile, others are proposing that USDA create a carbon bank within the Commodity Credit Corporation that would serve as another purchaser of carbon offsets from farmers and signal that carbon is like other agricultural commodities.[6]

Some combination of these ideas, along with protections for farmers and ranchers and much needed investment in public research on terrestrial carbon sequestration, will likely be needed to ensure a stable market for farmers and ranchers. The Growing Climate Solutions Act would provide a foundation for these and other related efforts.

To be sure, as this committee and Congress considers and refines this legislation, thought must be given to how farmers and ranchers of all size and production types fit in to a sustainable climate future. While the commoditization of carbon can have benefits to farmers and ranchers, efforts should be made to prevent consolidation, which as we've seen in other sectors of agriculture pushes out smaller operations that can't compete and lowers the prices paid to those that remain. Congress should also work to ensure USDA develop publicly funded science on how to best sequester and store carbon in the soil. The Farmer Driven Conservation Outcomes Act from Sen. Casey would help USDA to quantify the environmental benefits of conservation to ensure that practices are resulting in outcomes.[7] Congress should also consider protections for farmers from bad actors or faulty market efforts by strengthening the accreditation requirements in the Growing Climate Solutions Act and support early adopters of soil health practices who are often excluded from market efforts. Carbon markets are a tool, not a silver

[5] Information on Sen. Bennet tax credit proposal is available here: https://www.bennet.senate.gov/public/index.cfm/2019/12/bennet-unveils-discussion-draft-to-create-new-tax-credit-for-farmers-and-ranchers-to-capture-carbon-in-the-land-sector

[6] More information on the potential for a USDA carbon bank can be found here: https://bipartisanpolicy.org/wp-content/uploads/2019/12/BPC-Farm-and-Forest-Natural-Carbon-Solutions-Initiative-Working-Papers.pdf

[7] Details of Sen. Casey's bill are available here:https://www.casey.senate.gov/newsroom/releases/casey-capito-introduce-bill-to-support-farmers-efforts-to-mitigate-climate-change-improve-water-quality-

bullet, and USDA will need to provide resources for those unable or uninterested in participating in these markets.

Conclusion

NFU commits to working with the committee to ensure the Growing Climate Solutions Act adequately reflects the needs of family farmers and ranchers as they look to carbon markets as a new revenue stream that will set the path toward an environmentally and economically sustainable future. I look forward to continuing this dialogue about the role of family farmers and ranchers in addressing the climate crisis. Our members thank the bill's cosponsors and this committee for helping to develop the policies and programs needed to ensure an environmentally and economically sustainable future for agriculture and rural communities.

Thank you for your invitation to testify on this important piece of legislation and your ongoing attention and leadership on this issue.