

California Climate and Agriculture Network RECOMMENDATIONS: HEALTHY SOILS PROGRAM

1. Incentives program: CDFA proposes a traditional grants process for farmers and ranchers seeking funding for a list of USDA Natural Resources Conservation Service (NRCS) practices that increase soil carbon and reduce greenhouse gas emissions. Under the proposed framework, we assume that farmers and ranchers would complete an online application and submit it to CDFA. We also assume that CDFA would convene a technical review committee to review applications and make recommendations. This proposed framework is similar to the program structure for the State Water Efficiency and Enhancement Program (SWEEP).

Comments: Different than irrigation projects, soil and grazing management practices like cover crops, mulch, reduced tillage, riparian plantings, compost applications, changes in fertilizer management etc. can present real or perceived uncertainty for farmers and ranchers that may limit their interest in the new management practices.

California NRCS, through their farm bill conservation programs, offers funding for all of the agricultural management practices outlined by CDFA (except for compost application). But California farmers and ranchers are not seeking significant levels of NRCS funding to implement many of these practices. For example, cover crop adoption remains low in the state despite availability of cost-share funds and a push by NRCS in recent years to increase use of the practice¹.

Thus, we cannot expect a new state program with fewer funds available than the federal farm bill conservation programs to be any more attractive to producers. Instead, we must be creative about leveraging ongoing federal funds to meet the mutual federal and state goals of promoting soil health in ways that reduce greenhouse gas emissions and provide tangible benefits to farmers and ranchers and their communities.

Recommendations:

Leverage State and Federal Funds: To address these concerns, we recommend pairing the state Healthy Soils Program funding with existing NRCS funding for the Environmental Quality Incentives Program (EQIP), the primary program in California that provides growers with financial and technical assistance for conservation practices. The state can provide an additional incentive for EQIP-funded practices that demonstrate carbon sequestration and greenhouse gas reduction benefits. This approach has been successfully implemented in the past. For example, the state of California augmented NRCS EQIP funds for producers to replace their tractors. This was a popular and effective way for the state to achieve the aims of reducing significant diesel pollution in the Central Valley.

¹ For more on cover crop and other conservation measures adoption, see: Conservation-Practice Adoption Rates Vary Widely by Crop and Region. Economic Information Bulletin No. (EIB-147) 40 pp, December 2015. <http://www.ers.usda.gov/publications/eib-economic-information-bulletin/eib147.aspx>

State Match: If the farmer or rancher is eligible for EQIP practices that are also listed as eligible for state funding under the Healthy Soils Program, the state could enhance the NRCS 50 percent cost share (75 percent for beginning farmers) by providing an additional state match to cover a portion of the remaining costs of implementation for the producer. The percent of state match may vary depending on the practice. For example: for those practices that provide climate mitigation benefits, but have lower adoption rates (e.g., cover cropping and mulching), CDFA may consider a state match of 30-50 percent to enhance the EQIP funding. For those practices with better adoption rates, CDFA may consider a lower match of 15-25 percent. For beginning farmers who already receive 75 percent match, the state may consider a 25 percent match.

As to which agricultural management practices should receive a higher state match as compared to others, NRCS can likely provide an analysis on soil and rangeland practices that have high and low producer adoption rates under EQIP. CalCAN may also have capacity to help with this analysis of practice adoption rates, if needed.

As far as the size of the state match, some may argue that farmers and ranchers must have “skin in the game” and the state should not cover *all* of the costs of the practice. However, for soil management practices where there may be perceived or real risks of adoption, the producer’s “skin in the game” is, significantly, the maintenance of their crop yields or forage rates as they transition to a new set of management practices.

Regional partners: Because NRCS is required to keep all EQIP applications confidential and cannot share this information with CDFA, a third-party expert in agricultural conservation and related climate change issues is likely needed to facilitate the delivery of the state match to EQIP and to calculate the related GHG emission reductions.

Importantly, local partners can also work with farmers and ranchers to identify opportunities to improve their soil management practices and take advantage of the complementary state and federal healthy soils funding to overcome any real or perceived barriers. This is a critical piece to the success of the Healthy Soils Program: reaching out and providing technical expertise to producers *before* they even apply will make all the difference in the efficacy of the Healthy Soils Program.

To accomplish this, CDFA could provide funding to eligible entities like the Resource Conservation Districts (RCDs) and UC Cooperative Extension (UCCE) – publicly funded entities whose mission is to work directly with farmers on natural resource conservation issues. RCD and UCCE offices would have to apply to CDFA to become regional partners in the Healthy Soils Program and demonstrate that they have the expertise and capacity to deliver the program locally. The CDFA funding to the RCDs and UCCE could cover the cost of the state match to EQIP grower applicants along with administrative overhead associated with managing the program. A similar structure can be found with the Low-Income Weatherization Program², also funded through the Greenhouse Gas Reduction Fund (GGRF).

² See: <http://www.csd.ca.gov/Services/LowIncomeWeatherizationProgram.aspx>

Application process: The RCD or UCCE staff person could work with their local NRCS offices to inform producers of Healthy Soils Program opportunities and create a path for eligible producers to receive the state match. To be eligible for the Healthy Soils funding the producer would have to be eligible for the NRCS EQIP funding and complete a short application with RCD or UCCE. The application would include the necessary information to calculate the GHG emissions reductions (including carbon sequestration) associated with the practices they will employ (and are designated by the Healthy Soils Program). The RCD or UCCE staff would provide the grower application data, including GHG emissions data, to CDFA. The RCD or UCCE office would determine grower eligibility for Healthy Soils Program funding according to agreed-upon criteria with CDFA.

There are several benefits to this approach, including:

- **Trust:** Agricultural producers are familiar with and trust the NRCS, RCD, UCCE staff that they work with on a regular basis. That trust is critical to the success of any program, but especially for changes in soils management that present greater risks (real or perceived) for the grower.
- **Technical Assistance:** Connecting the program with RCD or UCCE staff can facilitate access to technical assistance for producers seeking to change their management practices. For example, RCD or UCCE staff can make the producer aware of the conservation planning assistance, which can be an important component to changing farm management practices. CDFA funding to RCD or UCCE regional partners should include technical assistance funding as part of the costs of administering the producer grants.
- **Accessibility:** This proposed approach makes the program easily accessible to all producers regardless of size and capacity. By creating a simplified application process based on eligibility for EQIP, and carried out by RCDs and UCCE staff that are familiar with the grower community, the state can help level the playing field for producers that may have differing resources (e.g. time, staff/consultants, money) for seeking more traditional state grant programs.
- **Local Knowledge:** The value of local/regional knowledge of the agriculture community by NRCS, RCDs and UCCE is critical. More than the state, these local staff will know how best to reach out to producers in their communities and turn the Healthy Soils Program into an effective vehicle for change.
- **Expanded Impact:** By enhancing the federal EQIP funds for soil management practices that reduce greenhouse gas emissions, CDFA can reach a greater number of acres compared to if the state developed its own independent program. The proposed initial funding of \$13.8 million for the Healthy Soils Incentives is important, but a modest investment when considering size of California agriculture. Coordinated efforts with NRCS and regional partners can stretch these limited dollars and have a greater impact than if the state tried to reinvent the necessary technical expertise and outreach for a standalone program.

2. Eligible practices: CDFA proposed that farmers or ranchers would have to use one or more of the eligible NRCS practices to be eligible for the Healthy Soils Program.

Recommendations: The CDFA list of practices should include the full depth and breadth of NRCS practices that have demonstrated carbon sequestration and/or reduce greenhouse gas emission reductions. Based on the USDA Climate Change Building Blocks, those additional practices include:

- Conservation crop rotation
- Residue and tillage management
- Prescribed grazing
- Range planting
- Forage and biomass planting
- Windbreak renovation
- Upland wildlife habitat

Moreover, some of the cropland listed practices in the draft CDFA framework may be used on grazing land. For example, riparian herbaceous cover should be available to ranchers as well as farmers.

CDFA should also consider developing an annual process to review and expand the list of eligible practices as climate change and agriculture research expands our understanding of agricultural management practices that reduce greenhouse gas emissions and could benefit from incentives, like the Healthy Soils Program.

3. Other program design recommendations for the Healthy Soils Incentives:

Conservation Plans: Changes in farm management are best done in the context of a conservation plan that takes into account the agricultural operation's natural resources, planned crops and livestock and related management practices. Producers that have a conservation plan (e.g. NRCS conservation plan, Organic System Plan or equivalent) should receive extra points when considered for funding under the Healthy Soils Program.

Funding levels: CDFA should specify at the beginning of implementation of the Healthy Soils Program a total project cap and total individual cap on eligible funding. We recommend that the total project cap should not exceed \$75,000 in state funds (e.g. depending on the size of the state match, the producer could be eligible for up to \$150,000 in combined NRCS and Healthy Soils Program funding). To ensure the limited funds are being distributed among the state's producers, no one farm or rancher entity should receive more than \$150,000 in total Healthy Soils Program funding.

4. Demonstration projects: CDFA proposes \$4 million in funding for Demonstration Projects that "achieve soil carbon sequestration and GHG emissions reduction in the field." Total project grant amount is still to be determined. All projects must have a field component with quantifiable on-farm GHG emission reductions. Eligible partnerships include: Ag Operations + Academia and/or Non-profit; Academia + Non-profit operations. The program would allow for outreach and education (e.g. field days).

Comments: The Demonstration Projects under the Healthy Soils Program offer the opportunity to extend the impact of the program by bringing together agricultural producers, academics and technical experts to demonstrate how changes in agricultural management practices reduce greenhouse gas emissions and provide tangible benefits to growers.

The state simply does not have enough funding for direct grower incentives to reach the majority of the state's 76,000 agricultural producers. However, through farmer-to-farmer/rancher-to-rancher field demonstrations and related outreach and demonstration the Healthy Soils Program can fund projects that reach a great number of agricultural producers, who may be drawn to change their practices for the numerous agronomic and economic benefits of the climate smart agricultural practices as demonstrated on neighboring farms and ranches.

Recommendations:

Project funding: Projects should be eligible for a minimum of three years of funding. Multiple year funding is needed to develop effective outreach to a regional agricultural producer base and build the momentum needed to achieve the aims of the demonstration projects. As such, project funding caps should take into account multi-year funding needs.

Prioritize projects on working farms: Farmers learn best from other farmers. Academic farms can play a role, especially where long-term data collection can inform practice changes and impacts on GHG emissions. But for many producers, demonstration on working farms can best describe how changes in management practices impact the economic decisions of farmers, for example. We recommend prioritizing Demonstration Projects on working agricultural operations. This can happen either through providing extra application points for projects on working farms or by developing a carve-out of funds for working lands projects.

Prioritize geographic and crop/livestock diversity in projects: CDFA should aim to fund a diversity of projects by region and farming type. Central Valley projects will differ from coastal agricultural demonstrations, for example. Cropland projects will differ from rangeland projects, and so forth. All are important. In any funding round, diversity in geographic scope and farming type should be considered.

Eligible entities: Resource Conservation Districts should also be listed as eligible under the Demonstration Project criteria. RCDs are special districts and would not be eligible under the draft proposed framework, as currently written.

Other recommended eligibility criteria to consider:

- Farmers/ranchers must be involved in ALL projects, including design and/or implementation.
- Projects must evaluate cost-effectiveness of farm management practice employed.
- Field data is collected - soil samples, GHG emissions related data.
- Projects that include one or more of the following may receive priority:
 - Feature strong co-benefits (environmental, health, economic, agronomic) accounting in addition to GHG emissions reductions/carbon sequestration
 - Offer conservation planning assistance for ag producers

- Include multidisciplinary or regional teams of producers, researchers, and technical service providers
- Are longer-term, beyond the life of the three-year funding
- Explore additional benefits for participating growers, such as reduced costs, regulatory compliance, solving multiple resource concerns, assistance with permits, etc.

Thank you for your consideration of our recommendations. We have shared our letter with State Conservationist Carlos Suarez and Karen Buhr with the California Association of Resource Conservation Districts. We look forward to discussing these issues with you and your staff in the coming months.