

Agenda Item 5

Stakeholder proposal to add an Organic Transition Plan to the Healthy Soils Program (HSP)

Presentation by the HSP team
Opportunities for public comment



CCOF

Advancing organic agriculture through certification, education, advocacy, and promotion.

The Value of Adding an Organic Transition Option to the Healthy Soils Program

Adding an Organic Transition Option in the Healthy Soils Program will meet the goals of CDFA and the Greenhouse Gas Reduction Fund while also providing social and economic co-benefits.

The Organic Transition Option to CDFA's Healthy Soils Program (HSP) would offer a one-time payment of \$4,300¹ for a producer to hire an organic crop consultant to help them complete an Organic System Plan. An Organic System Plan is a detailed description of the practices and procedures used to produce organic crops and livestock. With an Organic System Plan in place, a producer is ready to be certified after the ground has undergone three years of transition during which no prohibited materials are applied.

An Organic Transition Option Facilitates GHG Emission Reductions

Organic farming should be included as a climate change mitigation practice in HSP because it is an investment that meets the goals of CDFA and the Greenhouse Gas Reduction Fund (GGRF) to "achieve feasible and cost-effective GHG emission reductions."² Scientific studies, including those conducted by UC Davis researchers, consistently find that organic farming builds soil organic matter which stores carbon in the soil³ and has lower net GHG emissions.⁴ Certified organic producers are required by federal law to maintain or improve their soil organic matter and must use crop rotation, so assisting producers transition to organic certification will ensure they continue to use (and earn an organic premium to help offset the cost of) healthy soils practices.

An Organic Transition Option Benefits Disadvantaged Communities

An Organic Transition Option would help the HSP meet GGRF requirements to benefit disadvantaged communities by reducing exposure to synthetic herbicides, insecticides, and fungicides in communities already disproportionately burdened by multiple sources of pollution. The Organic Transition Option would also make organic certification more accessible to limited resource, beginning, and socially disadvantaged farmers and ranchers by removing financial and technical barriers to transition.

¹ This is the amount that NRCS offers through its Environmental Quality Incentives Program (EQIP) Organic Initiative, which provides funding for producers to hire a consultant to develop a conservation plan and an Organic System Plan for the farm.

² California Air Resources Board. (2019). Cap-and-Trade Auction Proceeds Third Investment Plan: Fiscal Years 2019-20 through 2021-22.

Retrieved from

https://ww3.arb.ca.gov/cc/capandtrade/auctionproceeds/2019_thirdinvestmentplan_final_021519.pdf?_ga=2.44130916.1147759135.1574730304-744090955.1563814456

³ Greater carbon storage in organically managed plots has been found in numerous published studies including reports on UC Davis trials, USDA Agricultural Research Service studies in Salinas, a national soil survey, and an international meta-analysis of soil quality data. See Wolf, K., Herrera, I., Tomich, T.P., & Scow, K. (2017). Long-term agricultural experiments inform the development of climate-smart agricultural practices. *California Agriculture*, 71, 120-124; Brennan, E.B., & Acosta Martinez, V. (2017); Cover cropping frequency is the main driver of soil microbial changes during six years of organic vegetable production. *Soil Biology and Biochemistry*, 109, 188-204; Ghabbour, E.A., Davies, G., Misiewicz, T., Alami, R.A., Askounis, E.M., Cuozzo, N.P., . . . Shade, J. (2017). Chapter one - national comparison of the total and sequestered organic matter contents of conventional and organic farm soil. *Advances in Agronomy*, 146, 1-35; Sanders, J. & Hess, J. (Eds), 2019. *Leistungen des ökologischen Landbaus für Umwelt und Gesellschaft*. Braunschweig: Johann Heinrich von Thünen-Institut, 364 p, Thünen Report 65. Accessed May 2, 2019 at: https://www.thuenen.de/media/publikationen/thuenen-report/Thuenen_Report_65.pdf.

⁴ De Gryze, S., Wolf, A., Kaffka, S. R., Mitchell, J., Rolston, D. E., Temple, . . . Six, J. (2010). Simulating greenhouse gas budgets of four California cropping systems under conventional and alternative management. *Ecological Applications*, 20(7), 1805-1819.

An Organic Transition Option Maximizes Economic, Environmental, and Public Health Co-Benefits

An Organic Transition Option would meet the goal of CDFA and the GGRF to provide co-benefits because organic agriculture benefits the economy, environment, and public health. Organic agriculture sequesters carbon, creates jobs, improves soil water holding capacity, improves soil structure, reduces pollution from soil erosion and nutrient leaching, and improves environmental health. (Refer to CCOF's *Roadmap to an Organic California: Benefits Report* for detailed citations.)

Increasingly, organic farming is receiving recognition as an important strategy in preparing agriculture for climate change. The National Sustainable Agriculture Coalition (NSAC) recently published a report calling for the U.S. Department of Agriculture to *"Promote organic agriculture to make agriculture more resilient in the face of climate change while reducing GHG emissions from the agriculture production sector."*⁵

An Organic Transition Option Ensures the Continued Use of Healthy Soils Practices

Supporting farmers and ranchers with an Organic Transition Option will make the organic transition economically feasible, provide them with experience in using healthy soils practices, and position them to become certified organic, which will incentivize the ongoing use of healthy soils practices beyond the three years of the HSP grant.

High consumer demand for organic products makes organic farming attractive to many producers, but the three-year transition is the most challenging part of the certification process. Transitional growers incur higher production costs when substituting organic management for chemical inputs but are not able to access the organic premium to offset these costs until the land has been managed organically for three years. Including an Organic Transition Option will support producers who choose to transition to organic.

An Organic Transition Option Supports CDFA in Expending Additional Funding

As the HSP budget almost doubles in the coming year, CDFA will need to find ways to increase grower participation in the program. Offering an organic option will be popular with farmers and ranchers and attract more applicants to the HSP.

An Organic Transition Option is Needed Beyond the NRCS Program

The federal Natural Resources Conservation Service (NRCS) offers conservation payments and funding to hire a consultant to develop an Organic System Plan through its Environmental Quality Incentives Program (EQIP). Some drawbacks of the EQIP Organic Initiative include a contract cap of \$140,000, which is much lower than the cap on general EQIP contracts of \$450,000. Also, payments for specific practices offered by NRCS are significantly lower than payments offered by HSP. Finally, EQIP Organic Initiative funding levels in California are insufficient to meet demand: in FY 2018, California NRCS bolstered the initial \$100,000 that was allocated for the Organic Initiative by an additional \$90,673, and in FY 2019 they allocated \$200,000 due to high grower demand.⁶

⁵ National Sustainable Agriculture Coalition. 2019. Agriculture and Climate Change: Policy Imperatives and Opportunities to Help Producers Meet the Challenge. Washington D.C.

⁶ NRCS California Farm Bill Programs Summary for FY 2018 EQIP, prepared for the State Technical Advisory Committee; and personal communication with RaeAnn Dubay, NRCS Assistant State Conservationist—Programs, personal communication Nov. 19, 2019.

LETTER TO CDFA BY CCOF:
ADDITION OF AN ORGANIC TRANSITION
OPTION TO THE HEALTHY SOILS PROGRAM

ANALYSIS AND RECOMMENDATIONS BY
CDFA HSP TEAM

JULY 16, 2020
EFA SCIENCE ADVISORY PANEL MEETING
SACRAMENTO, CA

BACKGROUND INFORMATION

- January 16, 2020 - CCOF presents proposal to the EFA SAP at its public meeting held in Sacramento, CA
 - Panel style presentation
 - Information included a proposal for an Organic Transition Option in the CDFA Healthy Soils Program (HSP)
- January 16, 2020 - EFA SAP members make and move motion to have CDFA HSP evaluate proposal prior to next EFA SAP meeting in April, 2020
- April, 2020 - CDFA HSP team completed analysis
- April, 2020 – EFA SAP public meeting postponed indefinitely due to Covid-19 impacts
- July 16, 2020 – This meeting! Presenting analysis and recommendations



ASK

- Add an “Organic Transition Option to CDFA’s Healthy Soils Program”
- One time payment of \$4,300 for:
 - Hiring Organic Crop Consultant
 - Develop an Organic System Plan
 - Proposal letter is part of EFA SAP binder posted here;

https://www.cdfa.ca.gov/oefi/efasap/meetings_presentations.html

STEPS TAKEN BY CDFA HSP TEAM

1. CDFA team evaluated the request for the following:

- Does the ask fall within the requirements of the program in terms of costs (i.e, standard payment rates)? **No**
- Does the ask fall within the requirements of the program in terms of quantifiable GHG reductions? **No**
- What are the concerns (if any) with adding it to the HSP?
- Is there a way to accommodate this request (and similar future requests) in the HSP without compromising GHGs and available funds to farmers and ranchers? **YES...3 options**
- What reporting metrics would be needed to ensure government accountability for the use of these funds?

2. Drafted recommendation for EFA SAP consideration

STEPS TAKEN BY CDFA HSP TEAM

1. CDFA team evaluated the request for the following:

- Does the ask fall within the requirements of the program in terms of costs (i.e, standard payment rates)? **No**
- Does the ask fall within the requirements of the program in terms of quantifiable GHG reductions?
- What are the concerns (if any) with adding it to the HSP?
- Is there a way to accommodate this request (and similar future requests) in the HSP without compromising GHGs and available funds to farmers and ranchers?
- What reporting metrics would be needed to ensure government accountability for the use of these funds?

2. Drafted recommendation for EFA SAP consideration

Does the ask fall within the requirements of the program in terms of costs?

- All costs covered by HSP are Program Requirements. These include:
 - Standard payment rate (as opposed to itemized budget) for a management practice standards consistent with 2020 USDA NRCS EQIP payment rates
 - Payment for soil testing
 - An Organic System Plan is not a requirement for funding
 - Paying for consultants is not allowed under the HSP Incentives Program.
 - Standard Payments Rates are designed to cover material and labor costs for each practice implementation and to achieve GHG reduction benefits.
 - The HSP Incentives Program does not cover the cost of development of “plans” to date
 - Difficult for accountability purposes if grower decides not to pursue organic – cost paid out for plan and consultant can not be recovered.

STEPS TAKEN BY CDFA HSP TEAM

1. CDFA team evaluated the request for the following:
 - Does the ask fall within the requirements of the program in terms of costs (i.e, standard payment rates)?
 - Does the ask fall within the requirements of the program in terms of quantifiable GHG reductions? **No**
 - What are the concerns (if any) with adding it to the HSP?
 - Is there a way to accommodate this request (and similar future requests) in the HSP without compromising GHGs and available funds to farmers and ranchers?
 - What reporting metrics would be needed to ensure government accountability for the use of these funds?
2. Drafted recommendation for EFA SAP consideration

Does the ask fall within the requirements of the program in terms of quantifiable GHG reductions?

- HSP Incentives Program practices must achieve quantifiable GHG reductions:
 - All incentivized practices must have an GHG emission factor in the quantification methodology (COMET-Planner)
 - No quantification of GHG in Comet-planner for a organic transition plan
 - Scientific data to support developing an emission factor for an Organic System Plan to include in COMET-Planner is not available
 - CDFA HSP verifies implementation of practices that reduce GHGs. CDFA HSP does not verify any plans were completed to date
 - Practices typically implemented through organic transition plans are covered under the HSP with standard payment rates

STEPS TAKEN BY CDFA HSP TEAM

1. CDFA team evaluated the request for the following:

- Does the ask fall within the requirements of the program in terms of costs (i.e, standard payment rates)?
- Does the ask fall within the requirements of the program in terms of quantifiable GHG reductions?
- **What are the concerns (if any) with adding it to the HSP?**
- Is there a way to accommodate this request (and similar future requests) in the HSP without compromising GHGs and available funds to farmers and ranchers?
- What reporting metrics would be needed to ensure government accountability for the use of these funds?

2. Drafted recommendation for EFA SAP consideration

What are the concerns (if any) with adding it to the HSP?

- Addition of payments to incentives program will likely take away from funds provided directly to farmers and ranchers for practice implementation
 - Program aims to maximize projects on farms and ranches that directly reduce GHG and sequester carbon
- Other concerns:
 - Sets a precedent for paying for “planning” costs, and future requests may be made to cover costs for other planning activities
 - Planning costs can become expensive and utilize funds that would otherwise go to farmers and ranchers to implement practices

STEPS TAKEN BY CDFA HSP TEAM

1. CDFA team evaluated the request for the following:
 - Does the ask fall within the requirements of the program in terms of costs (i.e, standard payment rates)?
 - Does the ask fall within the requirements of the program in terms of quantifiable GHG reductions?
 - What are the concerns (if any) with adding it to the HSP?
 - Is there a way to accommodate this request (and similar future requests) in the HSP without compromising GHGs and available funds to farmers and ranchers? **Yes...3 options**
 - What reporting metrics would be needed to ensure government accountability for the use of these funds?
2. Drafted recommendation for EFA SAP consideration

OPTIONS TO ACCOMMODATE – OPTION I

Option 1. Encourage organic transition applicants additional points in scoring criteria: Include Organic Transition Plans as allowable plan under the Conservation Plan category which gets 10 points out of 60 total

- **Pros**

- Farmers achieving environmental benefits through organic farming practices may be more competitive in the grants process
- Funds continue to be dedicated for direct payments to farmers implementing practices
- Funded practices achieve quantifiable GHG reductions

- **Cons**

- Applicants would need to use cost-share/own funds to prepare an Organic Transition Plan prior to submitting their application (currently business-as-usual case)
- Challenge for CDFA to track or monitor who is certified to create the organic plan

OPTIONS TO ACCOMMODATE – OPTION 2

Option 2. Encourage organic transition applicants dedicated additional points in scoring criteria: Include Organic Transition Plans as dedicated plan which will be eligible for 10 points out of 70 total.

- **Pros**

- Farmers achieving environmental benefits through organic farming practices may be more competitive in the grants process
- Funds continue to be dedicated for direct payments to farmers implementing practices
- Funded practices achieve quantifiable GHG reductions
- Organic Transition Plans and Conservation Plans have different outcomes and not the same thing therefore dedicated points are supported

- **Cons**

- Applicants would need to use cost-share/own funds to prepare an Organic Transition Plan prior to submitting their application (currently business-as-usual case)
- Challenge for CDFA to track or monitor who is certified to create the organic plan

OPTIONS TO ACCOMMODATE – OPTION 3

Option 3. Add planning costs to the Technical Assistance (TA) Grants

- **Pros**

- Will allow for grantees to subcontract these costs further to appropriate professionals
- Itemized Budget worksheets for TA grants can accommodate these costs
- TAP budgets would reflect how many “plans” are going to be undertaken and cost, providing accountability for CDFA and verification options
- TA providers, with their engagement and interface with farmers and ranchers, would serve as a resource for CDFA to learn about existing interest in organic transition plans

- **Cons**

- May need to consider increasing TA grants to accommodate additional work.
 - Currently at \$20,000 per climate smart agriculture program
- Funds diverted from direct grants to farmers and ranchers to implement GHG practices
 - At the suggested cost of \$4,300, as few as 5 Organic Transition Plans exceed the total TA grant amount.
 - CDFA able to track the plan but not its³⁴ implementation given grant timeframes

STEPS TAKEN BY CDFA HSP TEAM

1. CDFA team evaluated the request for the following:
 - Does the ask fall within the requirements of the program in terms of costs (i.e, standard payment rates)?
 - Does the ask fall within the requirements of the program in terms of quantifiable GHG reductions?
 - What are the concerns (if any) with adding it to the HSP?
 - Is there a way to accommodate this request (and similar future requests) in the HSP without compromising GHGs and available funds to farmers and ranchers?
 - What reporting metrics would be needed to ensure government accountability for the use of these funds? TBD based on option selected
2. Drafted recommendation for EFA SAP consideration

STEPS TAKEN BY CDFA HSP TEAM

1. CDFA team evaluated the request for the following:

- Does the ask fall within the requirements of the program in terms of costs (i.e, standard payment rates)?
- Does the ask fall within the requirements of the program in terms of quantifiable GHG reductions?
- What are the concerns (if any) with adding it to the HSP?
- Is there a way to accommodate this request (and similar future requests) in the HSP without compromising GHGs and available funds to farmers and ranchers?
- What reporting metrics would be needed to ensure government accountability for the use of these funds?

2. Drafted recommendation for EFA SAP consideration

RECOMMENDATIONS FOR EFA-SAP

HSP Team recommends Options 1 or 2:

Option 1. Include Organic Transition Plans as allowable plan under the Conservation Plan category which gets up to 10 points out of 60 total

Option 2. Include Organic Transition Plans as dedicated plan which will be eligible for up to 10 points out of 70 total

Reasons:

1. No conflict with existing programmatic structure
2. Program continues to be driven by implementation of eligible practices in terms of GHG reductions and payments
3. Recipients can utilize existing 25% eligible advance toward the plan

NEXT STEPS FOR EFA SAP

1. CDFA HSP team will facilitate questions from any of the EFA SAP members
2. EFA SAP members must hear public comment today before making motions or moving on a recommendation to the Secretary of CDFA
3. EFA SAP should allow written public comment following this remote July meeting to accommodate Covid-19 challenges
 - Suggested public comment period from July 20 to August 17, 2020
 - Will be posted here;
https://www.cdfa.ca.gov/oefi/efasap/meetings_presentations.html
4. EFA SAP should make final motions and recommendations after consideration written public comments at next meeting on October 15, 2020