

Susan Carter: Good morning, I'm Susan Carter, and I'll be your moderator for today's media briefing. Today's subject matter; dairy producers are making an announcement that they are agreeing to cut greenhouse gas emissions. To discuss that. To discuss this is agriculture secretary Tom Vilsack, and he will be joined by Erin Fitzgerald, who is director of social and environmental innovation at Dairy Management Inc.

Reporters, if you would like to participate and ask questions of the two panelists that we have today, press star 1 on your telephone touch pad. Now joining us from Copenhagen, Denmark is agriculture secretary Tom Vilsack. Secretary?

Tom Vilsack: Susan, thank you very much and thanks to all for joining the call, today. As many of you know, we are in Copenhagen, Denmark, for the climate change talks, and many of us have been here for a week and President Obama will be here in a few days, and I wanted to provide all of you an update on some of the work that's been done here.

Yesterday, we distributed a report summarizing the impact of climate change on our nation's eco system's over the next few decades. I think the following are the most notable items: The report indicates that grain and oil sea crops will mature more rapidly, but increasing temperatures will increase the risk of crop failures, particularly where participation decreases becomes more variable.

As relates to horticultural crops, such as tomatoes, onions, and other fruits, we know that they respond to a greater degree than grains and oil sea crops. The climate change, due to high sensitivity of their quality, appears the climate factors, and we need to be on the alert for that.

Livestock mortality will decrease with warmer winters, however, this will be more than offset by greater mortality in hotter summers.

Hotter temperatures are likely to also result in reduced productivity of livestock and dairy animals, due to changes in consumption and lower pregnancy rates. The report talks about weeds growing more rapidly under elevated atmospheric Co₂,e extending their range northward, and becoming less sensitive to herbicide applications. And, obviously, we need to be concerned about disease and pest prevalence. Likely, will result in shorter, warmer winters, which will challenge crop, livestock and forest systems.

We talked at this meeting about the opportunity for rural America, and what a viable carbon offset market would be. One that rewards farmers ranches, and forest land owners for stewardship activities and how it has potential to play an important role in helping America become energy independent, while reducing our greenhouse gas emissions, and most importantly, as well as creating wealth and revitalizing communities throughout rural America.

And, today, we had a panel discussion that included Erin Fitzgerald, representative from the US Dairy Industry, announcing a memorandive understanding between the USDA and the industry, entering into an agreement to accelerate the development of energy systems and reduce greenhouse emissions. This MOU will allow for the USDA to utilize it's programs in various grants and loan programs to assist dairy farmers in embracing new technologies that will help reduce emissions.

We know for example, that anaerobic digesters can convert animal manure into electricity.

That's already being done in farms around the country and it represents a

powerful renewable resource. In fact, a 700 head dairy herd can power 200 homes of electricity. Unfortunately, today only 2% of the farms are utilizing this dairy power and as a result, there are a number of opportunities for profitable, stable sources of energy on farms.

The dairy industry has made a significant commitment to reduce its greenhouse gas emissions, along with its supply chain by 25%, by the year 2020. We want to support this goal through program modifications to simplify application processes and cut time, to better time the applications with the construction season, adding program enhancement and better marketing of anaerobic digesters to dairy. Although we've operated programs in the past to support anaerobic digesters, less than 150 have been funded by USDA to date, we obviously need to do a better job and this MOU will give us an opportunity to do so.

We'll look for ways to fund nutrient management components of the digester system with conservation funds. And, on the electric generation side, we'll look for renewable energy dollars to assist that. And, we hope to be able to buy digester projects with a higher ranking, and competitive application processes, and look to adjust the timing of these program awards to better match construction seasons, as I indicated earlier, and hopefully reduce the time necessary needed to get these projects completed and operating.

We look to work with the US Dairy Industry to undertake a major marketing and public outreach effort to producers across the country, and make sure that they're aware of these opportunities and the benefits that can be associated with greenhouse gas reduction practices. And, we also look forward to teaming up with the industry in stepping up our efforts and research to develop more scientific recommendations for the industry.

The actions that we are taking today, and certainly that we intend to take, will not only help mediate climate change, but we believe will provide immediate, local environmental benefits, reduce America's dependence on fossil fuels, and provide a renewed economy for rural America.

So, I certainly applaud the industry for initiating and supporting these actions, and I'd like to turn the call over to Erin Fitzgerald, if she happens to be on the line, from Dairy Management for a few comments.

Erin Fitzgerald: Thank you. We are pleased that the USDA has recognized the dairy industries efforts, to create a sustainable future for our industry, our communities and our planet, and we are pleased to enter into this MOU to address our goals for a dairy 2020.

Tom Vilsack: And, thank you very much. Operator, with that, we'll be glad to take any questions there might be.

Susan Carter: Alright, now we have on the line, Chris Clayton with DTN. Chris?

Chris Clayton: Secretary, can you elaborate a little more about some of the discussions that you've been having in Copenhagen, and anything more -- anything more concrete, international related agriculture expected to come out of the final days of the meetings.

Tom Vilsack: Chris, we'll have an announcement tomorrow, as it relates to international discussions, and I want to hold off on making that announcement, to make sure our international participants -- we were involved in the [unintelligible] discussions a couple of days ago, in which we talked about food security and the linkage between food security and climate

change. The reality is that, as we address the need for finding food for one million food insecure people around the globe, we obviously have to be concerned about the impact the climate will have our capacity.

Not only for the people in the United States, but all around the world. We're discussing opportunities to share, the new food security initiatives with the state department and the USDA are engaged in. Today, we spent a good deal of time making sure that people understand that while agriculture in the United States and forestry represent about 7% of the emissions, they represent 20-25% of the solution. And, this is an important message to underscore, because I think in the past meetings, agriculture has -- the deposited aspect of agriculture has not been as emphasized or as promoted as we have done here.

I think the international community is appreciative of the significant presence the US delegations has had. Administrator Jackson, Secretary Salazar, Secretary June and myself and of course the president is coming later this week. That, together with the \$10 billion commitment from the international community, both nations are making, to the international community assisting with adaptation and mitigation costs, I think we [unintelligible] a real seriousness that the US has to being a leader in these conversations and discussions.

Susan Carter: The next caller on the line is Tom Quafe, with Dairy Heard Management.

Tom Quafe: Yes, this may be a question to the dairy management inc representative. I'm curious how you measure a 25% reduction in greenhouse gas emissions. To measure something, you have to have a baseline. What is the current baseline for dairy greenhouse emissions.

Erin Fitzgerald: We are currently conducting an open-source light cycle assessment at The University of Arkansas, and current estimates show that the United States dairy industry is less than 2% of total US greenhouse gas emissions. That baseline will be used in the future to measure our carbon commitment.

Susan Carter: Next on the line, we have Ellen Ferguson, with Congressional Quarterly.

Ellen Ferguson: Hi, I guess I had two questions. This was billed as historic. Why is it so? And then, secondly, I guess this is for the dairy management -- Marquay Smith. Fitzgerald, is, how is this going to be carried out with groups like the National Milk Producers Federation, and how are you going to get individual dairy farmers involved in this?

Tom Vilsack: Let me address the historic piece and then Erin can talk about coalition that's been put together. From the standpoint of historic, first and foremost, this is a commitment, not just by part of agriculture sector, but from the producers all the way through the food chain, the processor, the transporter, the retailer, all will play a part in this effort to try and reduce greenhouse gas emissions from dairy operations.

It's historic in that perspective. It's also historic in terms of how the level of commitment and the speed in which the industry wants to obtain these goals. That's historic. It's very specific and it represents an interesting relationship between the USDA and the agg sector, in terms of our willingness to utilize the resources we currently have, the programs we have, to in point and target them, in a way that will help advance the industry in meeting this very aggressive goal.

We can better utilize -- equip, for example, to leverage additional dollars, to help fund digester and generator steps, we can provide digester projects

with a higher ranking - that means that a larger number of projects are going to be selected and funded. So, it's a historic relationship between USDA and the sector of agriculture, and it's an historic commitment by a sector, and it's a comprehensive commitment. All of which make it unusual and difficult -- not difficult, but different, and historic.

Erin Fitzgerald: Now to comment on Mr. Secretary's comments. Dairy Management Inc and National Milk Producers Federation, and Connie Tipton of International Dairy Food Association all formed an innovation center for US Dairy, which brought together 80% of the dairy industry together to make this commitment, and it will only be accelerated by the leadership of the USDA.

Susan Carter: Alright, we go next to Jerry Hackstrom with Congress Daily. Jerry.

Jerry Hackstrom: Mr. Secretary, I have a more general question also. There you are in Copenhagen and we're talking about, here, what agriculture can do, and at the same time, you see people in agriculture, both in the United States in and in other countries saying, just keep us away from these climate change agreements, as far as possible. I'm thinking the problems that they're having in Australia in trying to get a climate change bill through the problems you're having in the senate.

How do you put together this -- this viewpoint that agriculture can both benefit and be a major part of the solution, and the idea that any agreement is going to be bad for agriculture?

Tom Vilsack: Well, Jerry, I think it's a matter of education. Part of what we did in releasing the report, entitled The Effects of Climate Change on US Eco Systems, earlier this week, was to suggest strongly that maintaining the

status quo and not taking action is not an acceptable alternative. There are significant consequences that are already occurring as a result of climate change, and they are only liable to get worse if we don't take action.

That's on the negative side. On the positive side, we continue to focus on a variety of studies, and evaluations and models that almost universally conclude that the farm community will economically benefit from embracing offsets, and embracing the kinds of changes that clean energy proposals, climate change proposals lead to. So, it's A. The current status quo's not sustainable and not acceptable, and B. There's a better alternative, in terms of the bottom line, and that is to work to make sure that agriculture is fully involved in the offset program and to make sure that agricultural practices are awarded and incented, as opposed to waiting, at some point in time, down the road, when potentially there might be a regulatory structure in place.

Susan Carter: Next on the line is Jim Dickrel with Dairy Today Magazine. Jim?

Jim Dickrel: Yes, good morning. I was curious to know if any more funds or cost share monies will be made available through this effort?

Tom Vilsack: Well, the quick answer is that we're not talking about more additional money in the overall pot that the USDA has in these various programs. We are indicating a willingness to commit proceeds and programs to specifically advance the goals of the memorandum. So, for example, to the extend that reef programs or equip program proceeds and resources can be used to help fund nutrient management programs, slurry delivery with equip or digester and generator sets with reef, we are committed to make that happen.

We're committed to making our research dollars also focus on advancing the cost of this MOU. Using some of our innovation grant monies to assist a working partnership. Considering in competitive grant programs additional points for higher cost share rates for digester practices, for example, to increase the feasibility for farms -- all designed to get greater acceptance on the farm of these technologies. So, in a sense, there's more money going to be directed, but not in terms of total dollars.

In the program, it's just making sure that the programs will work more affectively for dairy farms.

Susan Carter: Next on the line is Larry Driling, with High Plains Journal. Larry?

Larry Driling: Hi, it's Larry [Dryling], but that's okay. Mr. Secretary, thank you for taking our call. One of the things that I've noticed today is that the dairy industry is very attracted to this proposal. But, last week, one segment of the beef cattle industry came out quite opposed to any type of measure of legislation for carbon exchange capentrade. The Nebraska Cattleman's Association came out with a resolution, saying they would oppose at any level, any kind of regulation of greenhouse gasses.

As one member said, we must stand up and never give an inch on this. What can you say to -- especially folks in the beef industry, who have become adamantly opposed to any kind of greenhouse gas regulation and, what can you say to those folks out there in places like Nebraska, Kansas, Oklahoma, Texas, that have large cattle feed yards? What can you say to them about this type of regulation and how this needs to go forward?

Tom Vilsack: Let's be clear about this, Larry. No one, to my knowledge is proposing any climate change legislation to regulate agriculture. In fact, agriculture

is specifically vented from the capentrate regime. What is included in the legislation is a series of offsets, and the offset program essentially is designed to benefit other aspects of our economy, such as the utility industry that is under a set of regulations under capentrate, to be able to comply with the regulations by purchasing permission from ways in which farmers either utilize their land or ways in which they raise their livestock, that help to either reduce emissions or absorb carbon or other greenhouse gasses.

So, in the circumstance of a livestock operator, to the extent that livestock operators convert manure into power and energy, there may be rewards in the form of offsets for that type of activity. There may also be additional markets for products that before had been a problem. The other day, this isn't a cattle operation, I did see a hog operation, where they were essentially converting manure into methane. The methane, in turn, was being used to help fuel and power the farming operation.

I have seen, also, a bio fuel program that is currently using dairy manure on a demonstration pilot project basis, to produce bio fuels. So, there are many opportunities and ways in which livestock operators will be able to qualify for offsets, which will be incentives. This is not about regulating, this is about incenting the agricultural community and not putting it under any regulatory capentrate system.

Susan Carter: Up next on the line, we have Chuck Abbott with Reuters. Chuck?

Chuck Abbott: Good morning, Mr. Secretary. A couple questions for you and the DMI person. I would like some more metrics about -- ways of measuring what you're going to accomplish. Particularly, this means that the industry that the dairy industry is going to install a lot of methane digesters. If so, how

many would it take for a 25% reduction? How many farms might get methane digesters. There's 56,000 dairy producers, I see, according to the DMI site. Is it going to be methane digesters or some other mechanism for reducing greenhouse gas emissions?

And also for you, Mr. Secretary, when is -- when is USDA going to release an updated analysis of the house climate change bill? The chief economist office has provided some ideas on what to expect in that, and it shows, as you know, some sizable reductions from the baseline, in meat and dairy production, as well as forestation being the primary method in which farmers would benefit from -- farmers and landowners would benefit from offset.

As you know, it says that up to 59 million acres of new forestland could be created by 2050. That has got some republican senators concerned about the HTM agricultural productivity. Perhaps you can talk about whether you agree with those estimates and what it means. Thank you.

Tom Vilsack: Erin will respond, initially, to questions about details on emissions and I'll try to respond to the last question Chuck asked.

Erin Fitzgerald: Okay, we put forth 12 projects, one of those projects dealing with digesters. The 12 projects that will get us to a 13%, a 12% reduction by the year 2020 and those portfolio projects are currently worth a quarter of a billion dollars. The digester project itself, specifically has an adoption rate for current farmers greater than 1000, because, we believe that you need to address the large economies by scale, and ultimately it will get down to the smaller farmer.

And, with this program, we believe that with added interest and dollars, focus on, that will accelerate.

Tom Vilsack:

I want to just add, this isn't just about what is happening on the farm, itself. It's what's occurring in terms of transportation, heating, and refrigeration. For example, there will probably be a day when manure on a dairy facility is being converted into a fuel that fuels the trucks that delivers the dairy products to the grocery stores.

That will also help reduce the carbon footprint. USDA's involvement is to help facilitate the research, the implementation with additional grant and program dollars, increasing the ease in which farmers can apply for these resources, and also taking a look at things like feed management practice standards, to determine whether or not there are ways in which methane can be generally reduced on the part of animals.

So, there's a whole range in which USDA can use its tools and assets to provide assistance and help. As it relates to the study, we anticipate that it's going to be released within the next week or so, Chuck, and I will tell you that the conclusion of that report obviously depends, to a certain extent, on what model is used, and -- and where your starting point is.

The model that was used -- the EPA model, which led to the conclusion that you identified, candidly, I think there are other models, more current and more complete that might lead to, significantly and willfully to significantly different conclusions. And, we've already seen the impact of those models, in programs -- The University of Tennessee, I think there's a study out of Kansas, as well, that shows -- and we just talked to the corn growers, today, and they're telling me that they have an economic

analysis coming up soon, that talks about very little, if any loss of crop land, and negative impact.

So, it very much depends on where you start, and we think that there can be improvements to the modeling that's been used in the past, and as you improve that modeling, as you become more concise and more current, you're going to reach conclusions. Bottom line to all of this, though, is that it isn't so much the specific model, as it is the consistency of the results of all of these programs, which is this:

That it is a net winner for agriculture. That, at the end of the day, whether you look at the Tennessee studies, or look at major commodities, or look at other studies, this is a -- the offset income is going to take care of any increased cost that might be associated with energy or fertilizer expense, and then some.

The result is a net income ranging anywhere from several hundred million dollars early in the process, to 15-20 billion dollars later in the process for rural America. That's the thing that people are losing sight of. They are focused on -- to use an environmental analogy, they are focused on the trees and not the forest. You have to be focused on the forest here.

The forest is the message that climate change can be an economic winner for agriculture. That really is the message from virtually all the studies that have been done, regardless of which model they use to make those calculations.

Susan Carter: Secretary Vilsack and Erin Fitzgerald, as we wind down, do either of you have any closing remarks?

Tom Vilsack: Erin?

Erin Fitzgerald: The USDA -- we are pleased that the USDA has signed this memorandum understanding, and we believe that your help --[unintelligible] for the future. That's it.

Tom Vilsack: I want to thank the dairy industry for making this commitment. I think it's going to be a great opportunity for us to move this forward. I think it made a very strong statement today, to the international community, to the commitment of the United States government, the Obama administration to continue to look for ways, for innovative ways to reduce greenhouse gases and to do it in a way that basically benefits the bottom line of farms and ranches throughout the country. Thank you all for participating.

Susan Carter: Thank you and that concludes today's media briefing. I'm Susan Carter.

End of recording.