

**TESTIMONY TO THE HOUSE COMMITTEE ON AGRICULTURE AND  
NATURAL RESOURCES  
HB 2853**

**TESTIMONY OF LEONARD BERGSTEIN ON BEHALF OF THREEMILE  
CANYON FARMS**

**MARCH 7, 2017**

Chair Clem and Members of the Committee

My name is Len Bergstein and I am pleased to appear before this Committee to present testimony on behalf of my client, Threemile Canyon Farms, regarding HB 2853. Threemile Canyon Farms produces high quality agricultural products and brings them to market in ways that earn the trust of our customers, neighbors and employees. Our farm is located about 150 miles east of Portland, near Boardman Oregon, on 93,000 acres originally intended to be a Space Age Industrial Park. Each day we work hard to demonstrate that sound business practices and sound environmental practices go hand in hand. And for us that means being a responsible employer, producing several hundred full-time jobs with benefits and promotion opportunities to a culturally diverse workforce... in proud partnership with our employee-chosen union: The United Farm Workers.

Since we began about 18 years ago, we have operated a sustainable business model

- In our "closed loop system," potatoes grown on our farm are processed off-site and the processing wastes — the peels and culls — are returned to the farm and recycled for use as dairy feed. We combine that with rotation crops to provide balanced, all-vegetative ration for our dairy herd. Our goal is to recycle all farm wastes.
- Our cows produce the high-quality milk for Oregon's iconic cheese-maker and a growing industry of artisan cheese entrepreneurs.
- Because water is precious to us, we use a precision center-pivot irrigation system monitored and managed by a state-of-the-art wireless computer network to control water use on our crops; water used to flush dairies is contained and re-used in a zero-discharge waste management system.
- We use advanced technology to provide traceability on all our crops and cattle to assure the quality our customers expect.

- We voluntarily placed 23,000 acres into a wildlife-conservation preserve to protect threatened species and Columbia Basin grasslands [managed by The Nature Conservancy] and voluntarily surrendered nearly a third of our water rights to protect flows in nearby rivers and streams.
- To help Oregon become a leader in reducing reliance on fossil fuels we have partnerships to create innovative, renewable energy projects such as wind turbines and a methane digester.
- Manure from the dairy provides a low-cost source of nutrient-rich fertilizer and compost, reducing our reliance on chemical crop protectants, increasing the water-retention properties of our soil and driving the accelerated production of certified organic vegetables and grains on approximately 8,000 acres.

As you may know from the robust debates in the past three sessions, our manure digester is central to our success as a closed-loop system...you and your colleagues have consistently supported this manure tax credit and last session we joined you in trimming the subsidy to \$3.50 /wet ton in exchange for extending the predictable benefits until 2021.

That is the reason we are testifying in opposition to HB 2853 in its current form — for many of the same reasons you have heard from representatives of the dairy, livestock and related agricultural industries...as well as individuals living in Oregon's rural communities and their elected and community leaders. What joins this broad base of diverse voices is a common concern that HB 2853 is a drastic reversal of a successful policy that has created numerous, tangible environmental and economic benefits to Oregon's rural communities. Today's manure digesters are the result of a progressive, targeted tax policy envisioned in the 2008 Oregon Dairy Air Quality Task Force that encouraged manure digesters as one of the smartest, voluntary Best Management Practices available to address state air quality goals.

If HB 2853 were passed in its current form it would have numerous immediate negative impacts, including these:

1. It would undermine the thoughtful investment strategy that provides a stable and predictable funding structure that drives the development of future manure digester projects - linking agricultural innovation with state goals;
2. It would wrongly label digesters as a failed priority — part of the problem rather than a vital part of the solution for achieving important environmental and economic goals; and
3. It would unwittingly play into the deceitful, anti-dairy agenda of a small intense interest group who are pushing various measures this session, that repeal modest program support for Oregon's rural communities and replace it with costly regulatory burdens that smother the modest successes achieved by Oregon's leading dairy operations of all sizes.

HB 2853 has a subsequent referral to House Revenue, so our testimony today focuses on the agricultural policy issues raised by the measure. But by pointing out the flaws in HB 2853, it does not mean that you as thoughtful Oregon policy makers are left without options to modernize and optimize state support for future manure digesters. I will return to this thought shortly.

**The current policy to promote manure digesters delivers important environmental and economic benefits for Oregon and our rural communities**

- Ecological benefits: improved air quality and odor reduction; improved water quality; improved plant uptake of nutrients and reduced runoff; reduction of pathogen and bacteria load in crop soils; reduced reliance on chemical fertilizers
- Greenhouse gas/Climate benefits: reduction of 152,000 tons of CO2 equivalent [4-5 metric tons x 38,000 cows]; similar to removing 38,000 cars from Oregon roads
- Energy benefits: 38,000-40,000 cows produce enough renewable energy to power 7,000 homes; produces reliable source of renewable energy
- Economic benefits: support for Oregon's dairy industry, iconic Oregon brands [such as Tillamook] and emerging niche products by artisan cheese entrepreneurs; provides a solid platform for rural jobs and economic development in rural communities; channels investments into rural energy infrastructure; enhancement of a profitable organic food industry... additionally, the current BTC provides \$110/cow — studies by the Innovative Dairy Center find that digesters provide \$715 net benefit/cow [figuring in electric energy, plus carbon credits, plus productive use of nutrients as bedding and organic soil additives] thus creating a 7:1 return on investment.

**Eliminating the manure tax credit for future digesters would create a disincentive for expansion of the dairy industry to meet innovative, future product demands [i.e. the emerging market for protein supplement products such as whey powders]— stifling those rural communities that would welcome the boost to their local economies and jobs from a profitable, environmentally sustainable, medium-sized dairy operation consisting of a 5,000-cow dairy herd and a digester.**

**Modernizing and “right-sizing” the manure digester tax credit is a desirable alternative to repeal and elimination of a program that has helped Oregon achieve important multiple public policy goals.** A defined-credit cap of limited duration and a tapering tax subsidy [i.e. from \$3.50/wet ton to zero over the life of the project] - would provide the dairy farmer, or project developer with certainty and specific expectations that could be computed into the digester project pro forma... while also capping the financial risk capital that Oregon was willing to invest in any one project. Threemile Canyon Farms would eagerly participate in a policy discussion to shape such a program for future Oregon digesters.

We would respectfully recommend that this Committee amend HB 2853 to reflect strong support for the manure tax credit, the dairy industry and rural community economic development...while providing guidance to the **Revenue Committee** that reviewing and right-sizing the credit is the smartest and most progressive path forward.

Thank you.