



SENATE BILL NO. 2020  
SENATE APPROPRIATIONS GOVERNMENT OPERATIONS DIVISION  
DAVID MONSON, CHAIR  
TESTIMONY IN SUPPORT OF SENATE BILL 2020

Chairman Monson and members of the House Appropriations Government Operations Division, my name is Ryan Pederson. I am part of a diversified grain farm in north central ND started by my grandfather in 1959. My grandfather had an 8<sup>th</sup> grade education but became a self-educated plant and soil scientist through a close working relationship with NDSU extension and research. I have tried to continue that legacy of continuing education by participating in field trials, federal conservation programs, and most recently Farmers Union's pilot Climate Smart Program.

Over the years I have represented North Dakota farmers on various commodity organizations including the U.S. Canola Association, Northern Canola Growers and North Dakota Soybean Growers Association. I currently represent the North Dakota soybean industry as an executive committee member on the Clean Fuels Alliance America board. CFAA is the industry trade organization representing Biodiesel, Renewable Diesel and Sustainable Aviation Fuel.

I commend SBARE in their work in developing the priorities put forward today, and recognize how each plays a role in strengthening North Dakota agriculture. Given my background, I would like to speak to two of the priorities presented.

First, the Biofuels and Carbon Management request.

I have been representing ND farmers in the renewable fuels space, namely biomass-based diesel, for over 15 years. During this time the industry has grown from 200 million gallons to over 5 billion gallons annually. In each of the last ten months, over 1 billion pounds of soybean oil has been going into biomass-based diesel. That is roughly equivalent to 87 million bushels per month. For reference, in 2024 ND produced 245 million bushels. This is complemented by over 520 million pounds of Canola oil and 320 million pounds of corn oil used in December of last year.

This demand has arguably led to the construction of two soybean crushing plants and the conversion of a diesel topping plant into a renewable diesel plant in the past few years. This complements the existing three oilseed crush plants and biodiesel plant in our state.

However, the renewable fuels market is going through a fundamental change that will bring challenges to crop-based feedstocks moving forward.

This change has to do with evaluating each feedstock based on its carbon intensity or CI, score. Simply put, the CI score is how much carbon is released into the atmosphere based on which feedstock is used to produce the fuel. These models are already being developed at other land grant universities and my concern is that North Dakota produced crops may be disadvantaged based on how these models score various cropping systems, and how these scores compare to alternative feedstocks such as used cooking oil.

For example, cover crops. While I understand the benefits cover crops have on farmland in much of the country, North Dakota is different. I have been required to plant cover crops after small grain harvest for different conservation programs and have yet to see robust growth given the early frost dates we have. I once had an area Natural Resources Conservation Service conservationist say to me, “it seems the most consistent cover crop we can plant is what grows behind the combine”.

Planting after a soybean crop is nearly certain to provide no measurable growth in much of the state. Also, the western part of the state is typically trying to conserve moisture through the use of no-till.

What we do have in North Dakota is a strong crop rotation system with many farmers having four or more crops in a rotation. We also have a shorter growing season so the percentage of time we have living roots in the unfrozen soil with our primary crop is significantly different than many other regions of the country.

In order to make sure that the commodities North Dakota farmers produce for the liquid fuels market don't get unjustly discounted, we need research in this area that focuses on quantifying the positive aspects of what we are already doing and identifying areas where we can continue to improve. This will help to insure continued market access of our bulk commodities at equitable rates.

The economics of this are substantial.

In the Californian market the difference in CI score from UCO to soybean oil equates to a \$.30 to \$.35 per bushel reduction in value for soybeans.

Currently Canola oil doesn't even qualify for a payment under the federal 45Z program.

The other aspect of carbon markets is direct payments to producers who practice certain farming methods in exchange for a payment. There is no shortage of programs being developed both through governmental agencies and private industry. As mentioned, our farm was part of a pilot program run in partnership by Virginia Tech and NDFU last year and we hope to continue this year.

This experience demonstrated to me the complexity of these programs. NDFU put together a great staff and strong outreach mechanisms and still the project was more difficult to navigate than expected. As private industry continues to develop carbon markets, I expect these difficulties to grow to a point where many producers won't want to participate.

Having access to extension personnel who have a clear understanding of the different programs available will run parallel to having access to extension weed scientist when producers have questions regarding weed control issues.

Lastly, the Center for Agricultural Policy and Trade Studies.

As I discussed earlier, commodity values can be heavily influenced by national and international policies such as those focused on carbon intensities. It is important that as our policy makers work on developing policies in this and countless other areas that they understand the impact to North Dakota agriculture. Often, these policies can have unexpected consequences that need to be understood during the policy making process.

And while North Dakota continues to develop value-added opportunities for our bulk commodities, it's important to remember that we still export a large percentage of our production. Global trade patterns have always been dynamic, and it is important to have the ability to quickly quantify how different trade opportunities and barriers will affect the profitability of North Dakota farmers and ranchers.

In closing, NDSU has a rich history of supporting North Dakota's farmers and ranchers to the benefit of the entire state's economy. The priorities put forward by SBARE will continue to strengthen that legacy.

Thank you for your time and I would be glad to answer any questions you may have.