

USDA Releases Final Rule for Low-Carbon Feedstocks

The USDA recently released its final Feedstock Carbon Intensity Calculator (FD-CIC) rule and supporting guidance for low-carbon feedstocks. While additional guidance is still needed before ethanol plants can fully capture the value associated with lower-carbon feedstocks, the final rule provides the clearest picture yet of what participation may require for farmers, grain handlers, and ethanol plants.

What Practices Can Improve a Carbon Intensity Score?

The USDA model recognizes several farming practices that have the potential to reduce a field's Carbon Intensity (CI) score, including:

- Cover crops
- No-till
- Reduced tillage
- Nutrient management
- Manure utilization

Unlike earlier versions of the model, the final rule places much greater emphasis on actual nitrogen use, expected yield, actual yield, and overall Nitrogen Use Efficiency (NUE). In many cases, efficient production may become just as important as the conservation practices themselves.

What Will Farmers Need to Provide?

Participation will require significantly more documentation than most farmers are accustomed to today.

The USDA requires field-level carbon intensity calculations and supporting documentation. Farmers will need records supporting actual yield, expected yield, nitrogen applications, field-level management practices, moisture-adjusted grain production, and other information used to calculate the CI score. Records must be retained for five years and be available for audit and verification purposes.

The USDA also requires a Biofuel Feedstock Report (BFR) for reduced-CI crops. **Farmers must certify, under penalty of perjury, that the information provided is accurate, that practices were implemented as reported, and that the environmental attributes associated with those bushels are not being sold into more than one market.**

Farmers participating in the program should expect to provide:

- Farm and field identification information
- Documentation supporting field-level CI calculations
- Actual yield records
- Expected yield records
- Nitrogen application information
- Moisture-adjusted yield records

- Conservation practice documentation
- Five years of record retention for audit purposes
- Signed farmer attestations under penalty of perjury

How Does CI Scoring Work?

The USDA model calculates a Carbon Intensity score at the field or management-unit level. The score is influenced by factors such as:

- Yield
- Nitrogen application rates
- Nitrogen Use Efficiency
- Tillage practices
- Cover crops
- Manure applications
- Other documented conservation practices

The model is also location specific. Soil type, climate, and growing conditions all impact how practices are evaluated. This means there is no single score that applies to every farm. Two neighboring farms may have different results depending on their management practices and production efficiency.

For many farms in our region, the greatest opportunities may come from improving Nitrogen Use Efficiency, maintaining strong yields, documenting existing conservation practices, and utilizing manure where available.

What If I Sell My Corn Through an Elevator?

One of the most common questions we receive is whether farmers must deliver directly to the ethanol plant to participate.

Based on the USDA's final rule, participation may still be possible through normal grain marketing channels, including country elevators. The rule requires the use of Biofuel Feedstock Reports, chain-of-custody documentation, and mass-balance accounting throughout the supply chain. The environmental attributes associated with reduced-CI grain must follow the grain through the supply chain and ultimately reach the biofuel producer.

In practical terms, a farmer may be able to deliver grain to a participating elevator, while the associated documentation follows that grain through the supply chain. The USDA requires the Biofuel Feedstock Report to be passed through the entire supply chain ending with the biofuel producer.

Additional guidance and real-world experience will continue to shape how these requirements are implemented, but the final rule clearly contemplates participation by farmers, grain elevators, intermediaries, and ethanol plants.

Why Farmer Participation Matters

For this opportunity to create value, we need participation from a significant portion of our corn draw area.

The potential benefit of low-carbon feedstocks is driven by the overall reduction in the Carbon Intensity (CI) of the corn entering our facility. If only a small percentage of farmers participate, the impact on the plant's overall feedstock CI may be too small to create meaningful value.

Our current analysis suggests we need enough participation to reduce the CI of our incoming corn by approximately five points before the economics become compelling. That means this cannot be a program supported by only a handful of farms. Success will require broad participation throughout our corn draw area.

Simply put, this is a scale-driven opportunity.

The costs associated with enrollment, recordkeeping, verification, auditing, reporting, and supply-chain tracking are significant. If participation levels are low, the administrative burden may outweigh the value created. However, if a large percentage of growers participate, those costs can be spread across more bushels, the impact on plant CI becomes meaningful, and the overall opportunity becomes much more attractive for both farmers and the ethanol plant.

For that reason, our immediate focus is understanding farmer interest, documenting current farming practices, and determining whether we can achieve the level of participation necessary to make a low-carbon grain program successful.

The bottom line is simple: critical mass matters. If only a small percentage of farmers participate, the program will likely fail to generate enough value to justify the effort. If enough growers participate, we have the opportunity to create meaningful value for farmers, our plants, and our rural communities.

What Could My Corn Be Worth?

This is the question we receive most often, and the honest answer is that it is still too early to know.

While the USDA has finalized the framework for calculating and documenting feedstock carbon intensity, additional regulatory guidance is still needed before the full economic value of lower-carbon feedstocks can be determined. The industry is also still working through how lower-carbon feedstocks will ultimately impact ethanol carbon intensity and how resulting value may be allocated throughout the supply chain.

We are actively evaluating potential valuation approaches and developing models to determine how carbon intensity reductions may translate into value. However, we are not in a position today to determine what premium, if any, may ultimately be associated with a specific carbon score, farming practice, or management change.

Our focus today is understanding where our corn draw area currently stands, identifying participation levels, and building the data needed to determine whether sufficient value can be created for both farmers and the ethanol plant.

As additional regulatory guidance becomes available and the economics become clearer, we will share more information regarding how lower-carbon corn may be valued and how any future premium structure could work.

Looking Ahead

We are actively evaluating the final USDA rule, gathering information from growers, and working to better understand how the program may work within our corn draw area.

The opportunity appears real, but success will depend on farmer participation, accurate documentation, supply-chain coordination, and a system that works for everyone involved. If we can achieve the scale necessary to meaningfully lower the carbon intensity of the corn entering our facility, the potential exists to create long-term value for farmers, the ethanol industry, and our rural communities.

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