

## **ANNUAL REPORT TO THE ENVIRONMENTAL REVIEW COMMISSION OF THE NORTH CAROLINA GENERAL ASSEMBLY ON THE IMPLEMENTATION OF THE LAGOON CONVERSION PROGRAM**

### **INTRODUCTION**

In 2007, the North Carolina Lagoon Conversion Program (LCP) was established by the North Carolina General Assembly. The LCP is administered by the NC Division of Soil and Water Conservation (DSWC) through the existing North Carolina Agriculture Cost Share Program. The purpose of the LCP is to promote adoption of innovative swine waste management technologies that meet specific performance standards in N.C.G.S. 143-215.10I(b). Under the LCP, swine producers may submit applications to convert existing lagoon and sprayfield systems to innovative animal waste management systems. Swine farms in operation on or before September 1, 2007 are eligible for financial assistance to install the selected technology. The program is authorized to provide assistance according to a declining schedule designed to reward early participants in the program. The schedule is shown in Table 1 below.

Table 1: Authorized cost share rates and maximum awards over time.

| <b>Contract Award Date</b>      | <b>On or before June 30, 2012</b> | <b>July 1, 2012 – June 30, 2017</b> | <b>On or after July 1, 2017</b> |
|---------------------------------|-----------------------------------|-------------------------------------|---------------------------------|
| Maximum cost share percentage   | 90%                               | 80%                                 | 75%                             |
| Maximum Annual cost share award | \$500,000                         | \$450,000                           | \$400,000                       |

Eligible projects must meet the following performance standards:

- Eliminate direct discharge, seepage or runoff.
- Substantially eliminate ammonia emissions.
- Substantially eliminate odor.
- Substantially eliminate disease-transmitting vectors and pathogens.
- Substantially eliminate nutrient and heavy metals in soils and groundwater.

## **LCP ADVISORY COMMITTEE**

In accordance with Section 2.(e) of S.L. 2007-523, the Director of the Division of Soil and Water Conservation established an advisory committee to assist the Division with implementation of the Lagoon Conversion Program. The entire committee has met a total of five times. In addition, various subcommittees of the advisory group have met to address specific issues. The Advisory Committee is comprised of representatives from the following agencies and organizations:

- USDA-Natural Resources Conservation Service (NRCS)
- N.C. Sierra Club
- Frontline Farmers
- N.C. Dept. of Agriculture and Consumer Services
- Tar-Pamlico River Foundation
- N.C. Pork Council
- Environmental Defense Fund
- NCDENR-Division of Water Quality
- NCSU-NC Animal and Poultry Waste Management Center

## **LCP IMPLEMENTATION**

In 2007-08 the Division of Soil and Water Conservation, with input and assistance from the LCP Advisory Committee, selected three participants in Sampson County to receive LCP funding to install innovative technologies. One of the applicants declined to sign the Agriculture Cost-Share Agreement due to concern about the risk of implementing new waste management technology given the current economic difficulties facing the swine industry. As a result, only two projects were funded from Round 1 applications.

Section 2.(d)5 of S.L. 2007-523 directs the Division to “investigate and pursue other funding sources to supplement State funds, including federal, local, and private funding sources.” In accordance with this directive, the Division has actively pursued additional funding opportunities for the LCP.

In 2009 the Division proposed and was approved for a Cooperative Conservation Partnership Initiative (CCPI) Agreement with the USDA Natural Resources Conservation Service. The CCPI agreement established a partnership between the Division of Soil and Water Conservation and the USDA-Natural Resources Conservation Service to

provide funding to swine farmers who switch from conventional swine lagoons to more environmentally-friendly and innovative waste management systems. The CCPI agreement established three priority levels for producer applications, with the highest priority being assisting applicants to install innovative waste treatment technology that would meet the Swine Waste Management System Performance Standards as specified in 15A NCAC 02T.1307.

Table 2 lists the status of the eight projects that have been contracted using Lagoon Conversion Program funds as selected through rounds 1-4. Five of the projects were awarded supplemental funding through the CCPI.

In the spring of 2012, four of the farms under contract to install the Supersoils system (now called Terra Blue) notified the Division and NRCS of their intent to cancel both their Lagoon Conversion Program contracts and their CCPI contracts citing concerns about the cost and operation of the technology. None of the four farms had begun construction. These operations were the Rosin Hill Farm, Larry Naylor Farm, G&R West Farm, and C.B. Barefoot Farm, all in Sampson County. The canceled CCPI contracts resulted in reversion of \$1,627,554 of USDA funds.

Also in the spring of 2012, the Douglas Jernigan Farm in Wayne County canceled its LCP contract to implement the Supersoils technology citing a change of plans.

To date, two LCP contracts have been fully implemented (Loyd-Ray Farm in Yadkin County, and Supersoils Centralized Composting Operation in Sampson County). One contract has been partially implemented (Tyndall Hog & Chicken Farm in Sampson County), and five have been terminated by the cooperating farmers with no implementation.

The Tyndall Hog & Chicken Farm recently communicated its decision not to move forward with implementing the Terra Blue system, citing concerns about operating costs. This is the same concern expressed by the other farms that had planned to implement the Terra Blue system but terminated their agreements.

## **LCP Account Status**

Section 3 of Session Law 2007-523 established the Swine Farm Waste Management Conversion Account and provided an initial allocation of \$2,000,000 to be used LCP authorized expenditures. Funds from this account have been used as follows:

|   |                |
|---|----------------|
| FY 2007-08 One-Time Appropriation         | \$2,000,000.00 |
| Total contract expenditures to date:      | \$934,280.00   |
| DENR Budget Reversion for FY 2008-09:     | \$400,000.00   |
| Legislative Reduction for FY2014-15       | \$206,552.00   |
| Legislative Reduction for FY2015-16       | \$275,399.00   |
| Miscellaneous Operating Expenses to date: | \$3,049.47     |
|   | -----          |
| Unexpended/Unencumbered Funds             | \$180,719.53   |

USDA-CCPI Supplemental Expenditures (Loyd-Ray Farm):\$385,000.00

## **NEXT STEPS**

There are not sufficient funds remaining in the LCP Account to make a significant contribution to any lagoon conversion project. The Division recommends to re-purpose the remaining \$180,720 to support a pollinator initiative delivered through the Division's Community Conservation Assistance Program (CCAP). The funding would enable 70 or more cooperators to implement projects to control reduce stormwater impacts on surface water resources and to provide significant habitat and foraging resources for pollinator species.

**Table 2: Status of LCP/CCPI Projects funded in 2007-08 (round 1), 2008-09 (round 2), 2009-10 (round 3), and 2010-11 (round 4).**

|               | Project Name  | County  | LCP Funding Amt.   | CCPI Funding Amt.   | Total Project Cost (est.) |
|---------------|---|---------|--------------------|---------------------|---------------------------|
| 1             | Tyndall Hog & Chicken Farm  | Sampson | \$500,000          |                     | \$556,000                 |
|               | Technology: Super-Soils USA, Inc.: on-farm solids separation and liquid treatment system  |         |                    |                     |                           |
|               | Status: Construction estimated 70% complete. Producer has elected not to continue implementation of the Super Soils/Terra Blue System, citing concerns about operating cost and has terminated LCP contract.                      |         |                    |                     |                           |
| 2             | Supersoils Centralized Solids Treatment System  | Sampson | \$500,000          |                     | \$556,000                 |
|               | Technology: Super-Soils USA, Inc. centralized solids treatment facility (composting)  |         |                    |                     |                           |
|               | Status: Expansion complete and operational  |         |                    |                     |                           |
| 3             | Rosin Hill Farm   | Sampson | \$54,321           | \$445,679           | \$556,000                 |
|               | Technology: Super-Soils USA, Inc.: on-farm solids separation and liquid treatment system  |         |                    |                     |                           |
|               | Status: Permit in place; engineering complete; LCP and CCPI contracts cancelled by cooperating farmer due to concerns about cost and operation.   |         |                    |                     |                           |
| 4             | Loyd-Ray Farm   | Yadkin  | \$115,000          | \$385,000           | \$675,525                 |
|               | Technology: covered anaerobic digester, aeration basin for nitrification and odor control, methane harvesting system, and generator for the production of electricity   |         |                    |                     |                           |
|               | Status: Implementation complete and operational.  |         |                    |                     |                           |
| 5             | Larry Naylor Farm   | Sampson | \$83,000           | \$417,000           | \$556,000                 |
|               | Technology: Super-Soils USA, Inc.: on-farm solids separation and liquid treatment system  |         |                    |                     |                           |
|               | Status: LCP and CCPI contracts cancelled by cooperating farmer due to concerns about cost and operation.  |         |                    |                     |                           |
| 6             | G & R West Farm   | Sampson | \$122,771          | \$377,229           | \$556,000                 |
|               | Technology: Super-Soils USA, Inc.: on-farm solids separation and liquid treatment system  |         |                    |                     |                           |
|               | Status: LCP and CCPI contracts cancelled by cooperating farmer due to concerns about cost and operation.  |         |                    |                     |                           |
| 7             | C.B. Barefoot Farm  | Sampson | \$112,354          | \$387,646           | \$781,000                 |
|               | Technology: Super-Soils USA, Inc.: on-farm solids separation and liquid treatment system  |         |                    |                     |                           |
|               | Status: LCP and CCPI contracts cancelled by cooperating farmer due to concerns about cost and operation.  |         |                    |                     |                           |
| 8             | Douglas Jernigan Farm   | Wayne   | \$105,000          |                     | \$105,000                 |
|               | Technology: Super-Soils USA, Inc.: on-farm solids separation and liquid treatment system. LCP funding used to connect 2 <sup>nd</sup> farm operated by Mr. Jernigan to another farm where Supersoils system is already installed. |         |                    |                     |                           |
|               | Status: Contract cancelled by cooperating farmer due to change in plans. Farmer elected to shut down 2 <sup>nd</sup> operation and consolidate on site where Supersoils system is already installed.                              |         |                    |                     |                           |
| <b>Totals</b> |   |         | <b>\$1,592,446</b> | <b>\$2,0125,554</b> | <b>\$4,341,525</b>        |