

# The Rules

Factory farms and factory farm gas systems are expensive to build and operate. Governmental rules built on false assumptions drive financial programs and tax breaks while stimulating market demand. Despite the extensive use of public financing, there is no attempt to design government rules to increase transparency, protect public health, or reduce the industry's environmental impacts.



THE INDUSTRY IS FINANCED VIA GOVERNMENT RULES WRITTEN BY AND FOR THE INDUSTRY.

# Government Programs Bankroll Factory Farm Gas

The U.S. government provides a multitude of financial programs that undergird factory farms and factory farm gas. There are multiple U.S. Department of Agriculture (USDA) conservation programs that have been hijacked to support factory farm gas projects through grants, cost-share agreements, and low-interest or interest-free loans. These include [Environmental Quality Incentives Program](#), [Value Added Producer Grants](#), and the [Rural Energy for America Program \(REAP\)](#).

REAP in particular has provided a large amount of funding for Wisconsin projects over the last few years, primarily as part of the Inflation Reduction Act (IRA), which boosted conservation program funding.

Posing as an environmental solution, factory farm gas has fared well. [One analysis found](#) that since 2012, REAP has provided more funding for factory farm gas in Wisconsin than every solar project combined.

EPA's [AGSTAR GUIDEBOOK](#) CAREFULLY LAYS OUT ALL GOVERNMENT PROGRAMS FACTORY FARM GAS DEVELOPERS CAN USE TO BECOME ECONOMICALLY VIABLE.

USDA encourages applicants to "stack" these programs, allowing factory farms to receive nearly the [full cost of installing a digester to make gas](#). The U.S. Environmental Protection Agency's (EPA) [Agstar guidebook](#) carefully lays out all the government programs factory farm gas developers can use to become economically viable.

[SRWN joined 33 groups](#) nationwide in a [January 2026 petition to USDA](#) calling for a end to subsidies for expensive factory farm gas projects that reward consolidation of the livestock industry.

[USDA paused all actions](#) on loan note guarantees for 90 days in January 2026 while they investigate the 27% delinquency rate for factory farm gas digesters under the program. Concerns include elevated rates of project underperformance, loan delinquency, operational failures, and underwriting guidelines.



Some states also provide funding. For example, Minnesota has a [loan program](#) that provides up to \$250,000 in no-interest loans to help finance factory farm gas projects.

There are similar programs in other states, including [Maryland](#), [California](#), and [Massachusetts](#).

Wisconsin does not have such a loan program. However, there have been multiple unsuccessful attempts to provide state funding for the industry.



Agricultural banks are another way factory farms leverage federal government programs. Developers combine bank loans with direct subsidies and incentives to make a proposal pencil out. Farm Credit Associations such as [Compeer Financial](#), [GreenStone](#), and [Agri-bank](#) are member-owned cooperatives funded by Wall Street, not the federal government. Their lending practices play a big role in promoting Wisconsin factory farm expansions and factory farm gas. Greenstone helped finance the expansion documented in our [Coleman Ponderosa](#) case study. Ridge Breeze's [application for an \\$18 million bond](#) builds on Agri-Bank providing a letter of credit.

[Rural Business Investment Companies](#) fill another niche for this industry. Licensed by the USDA, these for-profit investor groups are required to have a minimum of 50% of their projects in rural areas. While their portfolios vary, [a number focus](#) on agribusiness industries.

DEVELOPERS COMBINE BANK LOANS WITH DIRECT SUBSIDIES AND INCENTIVES TO MAKE A PROPOSAL PENCIL OUT.

# Tax-Exempt Bonds Fuel Private Investment

Incentives for private investment into factory farms and gas production are built into the U.S. tax code. Under federal laws, individual and institutional investors buy tax-exempt bonds and the proceeds from the sale are lent to private companies at very good interest rates. Interest paid to investors is exempt from federal income tax and, in some states, state income tax.

These tax-exempt bonds are issued by a local government in partnership with the Wisconsin Economic Development Corporation or directly by the Public Finance Authority.

To qualify for tax-exempt status, the bonds must finance a project for the public good. Congress has defined liquid waste from factory farms as **solid waste** — AKA garbage. Managing solid waste is defined as a public good. That makes managing liquid waste from private factory farms a public good worthy of a tax break under the **U.S. IRS tax code** and interest paid to the bondholder for the loan to the developer is not taxed.

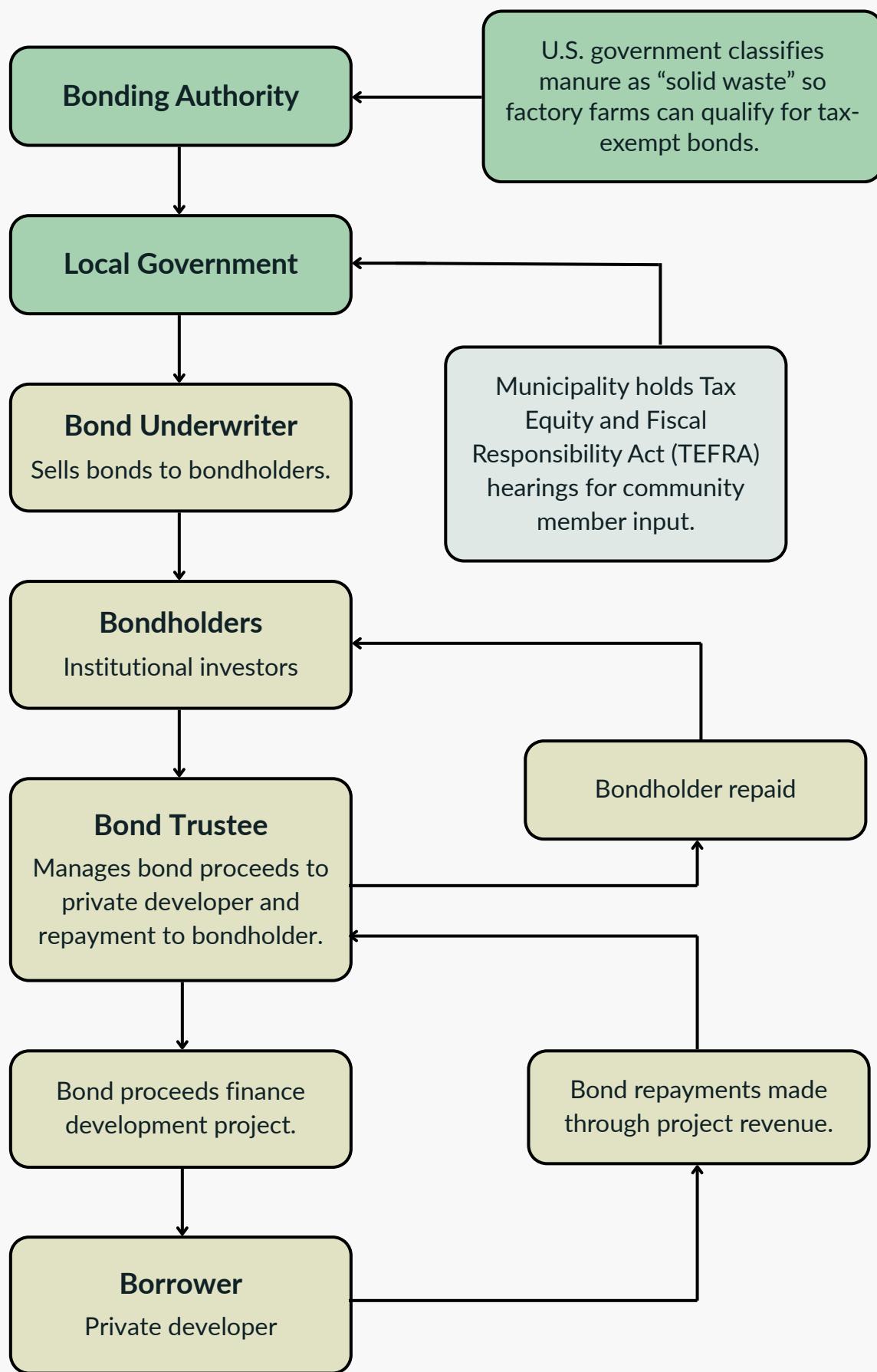
This means a developer pays up to 2% lower interest on the loan. For a \$20 million loan, that means annual savings starting at \$400,000.

There is a large global market for tax-exempt bonds. This market attracts individuals as well as banks, pension funds, and investment firms that market the bonds to investors. For example, bonds issued in the WI RNG Hub North case were sold to **Nuveen**, a subsidiary of the huge investment firm **TIAA**.

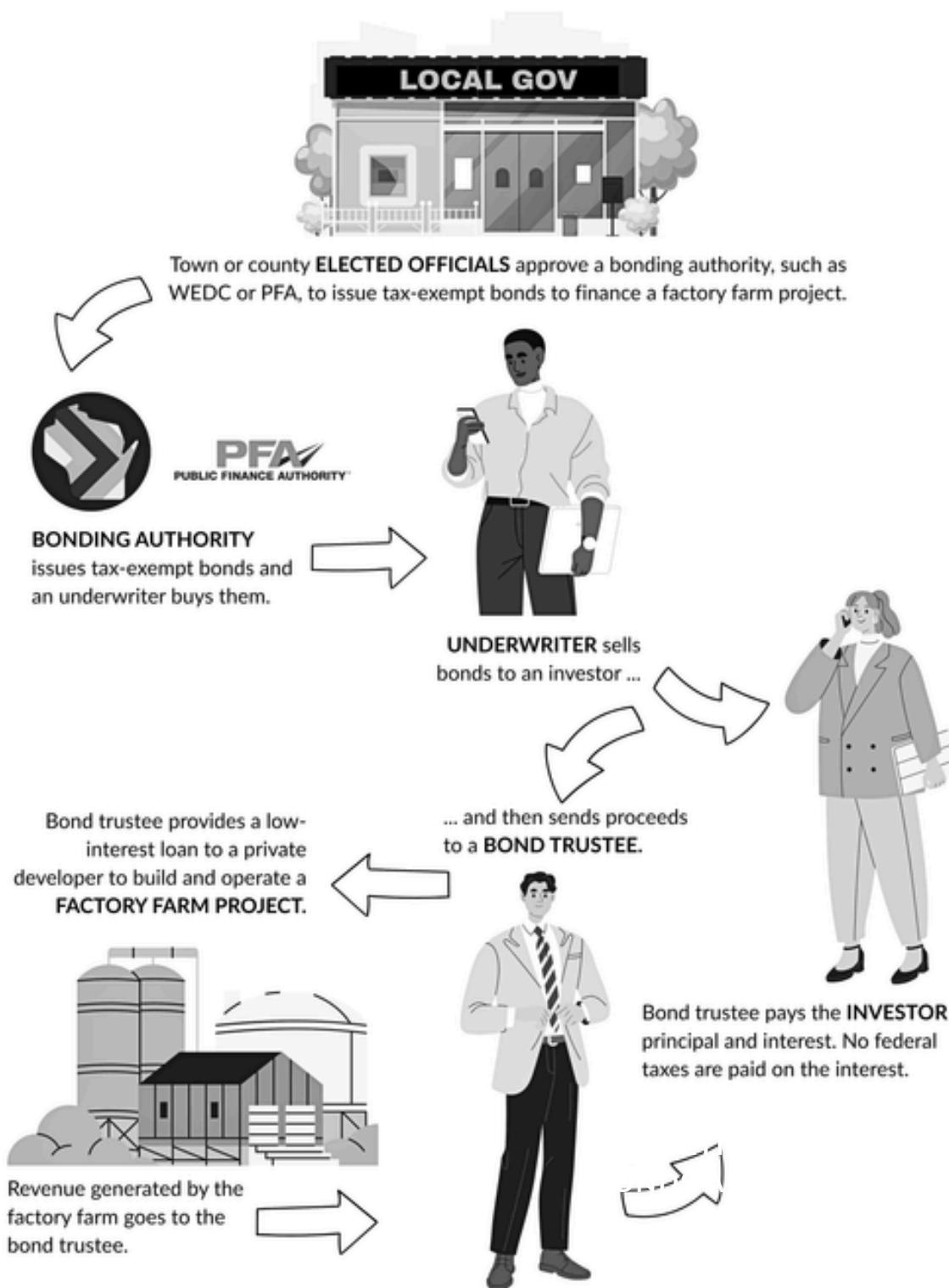
Interest rates on these bonds are typically negotiated between the bond issuer and the purchaser. **A number of considerations** go into negotiations including the credit worthiness of the borrower, how many years the bond runs, and market conditions.

Ultimately, tax-exempt bonds are another subsidy for the industrial livestock industry. A factory farm gets cheaper capital than it would from a traditional loan or taxable bond, all under the guise of public good.

**ULTIMATELY, TAX-EXEMPT BONDS ARE ANOTHER SUBSIDY FOR THE INDUSTRIAL LIVESTOCK INDUSTRY.**



## TAX-EXEMPT BOND FINANCING 101



# Driving Demand for Factory Farm Gas

Two types of government initiatives are designed to drive demand for factory farm gas: *credit trading programs* and *tax credits*. These types of initiatives are operated at both the federal and state levels. This further encourages consolidation of livestock production with development of factory farms and factory farm gas.

## Credit Trading Programs

The Renewable Fuel Standard (RFS) is a federal policy mandating that a certain volume of renewable fuels is mixed with fossil fuels. This creates a guaranteed market. Renewable fuel producers create Renewable Identification Number (RIN) credits, which they sell to fossil fuel companies that use them to comply with their RFS requirements. Factory farm gas is eligible for RIN credits.

**CALIFORNIA ALLOWS FACTORY FARMS IN AND OUTSIDE THE STATE TO EARN THESE LUCRATIVE CREDITS BY PRODUCING FACTORY FARM GAS.**

California's Low Carbon Fuel Standard (LCFS) is also a primary driver of demand for factory farm gas nationwide. LCFS was created to reduce the amount of greenhouse gases, like carbon and methane, put into the atmosphere by transportation fuel. California scores fuels based on formulas for the amount of carbon generated. Fuels with low scores receive credits, those with high scores receive deficits. Fuel providers can buy credits to "offset" their carbon deficits.

The score set for factory farm gas is very low based on deeply flawed assumptions. Factory farm gas scores even better than fuels derived from truly clean and renewable sources of energy.

California allows factory farms in and outside the state to earn these lucrative credits by producing factory farm gas. In fact, income from selling the credits far outweighs any income from selling the gas.



One recent [University of Wisconsin-Madison study](#) found that nearly 95 percent of dairy revenue came from RIN and LCFS credits instead of sales of the gas. A Wisconsin mega-dairy estimates that gas from [each cow is worth \\$1,360](#) a year. Of that, only \$100 comes from selling gas.

## MORE COWS MEAN MORE GOVERNMENT SUBSIDIES FOR PRIVATELY OWNED MEGA-DAIRIES.

A. Hoffman et al.

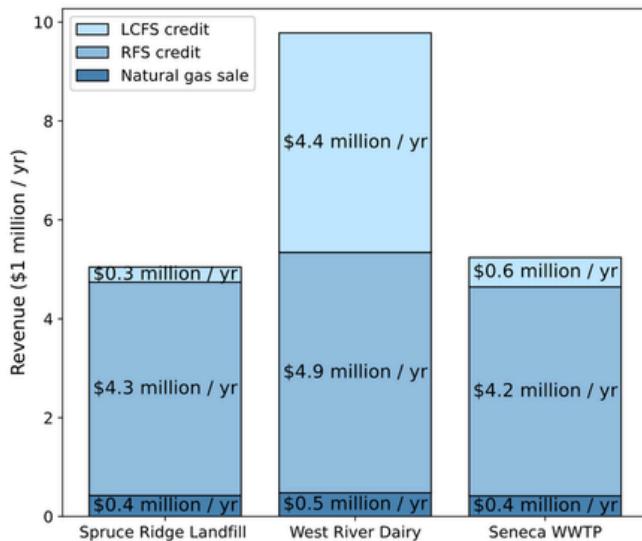


Fig. 7. Annual revenue streams of example MN RNG production projects. Each project would produce 710–780 m<sup>3</sup>/h of biogas and utilize pipeline transmission.

## WHERE THE MONEY IS MADE

- 1 milk cow = approximately 20 MMBtu per year
  - Physical (brown) gas = \$5/MMBtu \* 20 = \$100
  - RIN (federal) credit = \$2.50/RIN = \$29/MMBtu \* 20 = \$580
  - LCFS (California) credit = 4 MT/cow \* \$170/MT = \$680
  - Total RNG value/cow/year = \$1360
- That does not mean farmer gets \$1360/cow!
  - Every step in the value chain (contractual pathway) takes a cut
    - Producer > Gas Marketer > CNG Fueling Station > RNG Credit Broker
  - Farmer share will depend on level of project participation
  - Project owner (Producer) will get lions share



A COMPLEX “VALUE CHAIN”  
SHARES THE SUBSIDY BOUNTY.

These distorted incentives mean that creating more manure from more cows makes economic sense. This drives more consolidation and increasing herd sizes with **severe impacts on local communities.**

Moreover, smaller and more sustainable farms cannot convert their beneficial practices into revenue through these programs. Perversely, this **creates a competitive advantage** for massive livestock operations.

Despite **documented concerns**, several other states are following California's lead in developing their own low carbon fuel standards that have lavish incentives for factory farm gas. These include **New Mexico**, **Oregon**, and **Washington**.

Like California's LCFS credits, **California's Compliance Offset Program** is also available to Wisconsin factory farm gas developers. Gas producers earn carbon credits and sell them on an open market. Industries that are regulated can buy the credits instead of cutting their air pollution. Factory farms have little regulation of air pollution, which is why they can sell credits rather than be required to purchase them or reduce their air pollution.

**THESE DISTORTED INCENTIVES  
MEAN THAT CREATING MORE  
MANURE FROM MORE COWS  
MAKES ECONOMIC SENSE.**

While this program has not had as large an impact as LCFS, it provides another incentive to expand herds and build huge waste lagoons in order to generate additional income from subsidies.

**Wisconsin's Renewable Portfolio Standard (RPS)** further drives development of factory farm gas. This state program requires utilities to offer customers a minimum share of electricity from renewable sources such as solar, wind, and geothermal. Factory farm gas used to create electricity is classified as a renewable source and earns credits that utilities buy from the gas producers.





# Stroke of a Pen!

## Where the Money's Made

**Total Gas Value/Cow/Year = \$1,360**  
1 milk cow = 20 MMBtu gas per year

Gas Sale  
 $\$5/\text{MMBtu} \times 20 \text{ MMBtu} = \$100$

Federal Credit  
 $\$29/\text{MMBtu} \times 20 \text{ MMBtu} = \$580$

California Credit  
 $4 \text{ MT/cow} \times \$170/\text{MT} = \$680$

Source: Pagel Ponderosa

1

Factory farms that build manure digesters and collect methane can qualify for loans based on publicly financed, tax-exempt bonds. This took some doing. But with the stroke of a pen, Congress defined liquid waste from factory farms as solid waste – AKA garbage. Under IRS code, privately owned facilities handling “solid waste” can be financed with tax-exempt bonds. These bonds are sold to investors and that money is loaned to develop new facilities.

2

In addition to getting cheap loans, factory farms make money with credits from California and the federal government for capturing and refining the methane gas coming off giant pools of waste. These credits are then sold to oil companies and others that use them to offset greenhouse gas emissions, so they don't have to scale back toxic operations.

One Wisconsin mega-dairy estimates that each cow can generate enough liquid waste to earn credits from California and the federal government totaling \$1,360 annually. That could mean \$13.6 million a year for 10,000 cows. Exactly who makes how much money depends on how the deal is set up, but more cows mean more moolah.

# Tax Credits

Numerous incentives throughout the U.S. tax code support renewable energy production, which, by definition, includes factory farm gas. Tax bills passed during the Biden era included incentives such as the [45Y Clean Energy Production Tax Credit](#) and the [48E Clean Electricity Investment Tax Credit](#). The [45Z Clean Fuels Production Credit](#) was a particular win for factory farm gas producers because, like California's LCFS, the credit values are based on flawed assumptions.

Incentives for rural wind and solar projects took a big hit under Trump's 2025 tax bill. However, the [industrial livestock industry fared well](#). For example, valuable 45Z tax incentives were extended through 2029 and flawed formulas for credits were continued.

Wisconsin also offers tax incentives to support factory farm gas by giving a tax exemption for the [cost of constructing and operating projects](#).

In addition, there is a [state sales tax exemption](#) for factory farm gas sold as fuel.

The Wisconsin Economic Development Corporation provides tax credits through its [Qualified New Business Venture \(QNBV\)](#) program. New businesses apply for certification and when an entity invests, it is eligible to receive a tax credit equal to 25% of the equity invested. [Qualified ventures include agriculture](#) as well as clean energy creation, making factory farm gas made from anaerobic digesters a viable opportunity for investors. Our WI RNG Hub North case study documents the \$3 million in QNBV credits awarded to Progressive EnergyCo LLC.

Unsurprisingly, this windfall of federal and state support for factory farm gas has increased the number of projects across the country. According to the [American Biogas Council](#), biogas from dairy manure has increased by 130% since 2020. Many Wisconsin communities will likely be targeted for more of this industrial development as our state has the highest potential for new factory farm gas projects.

MANY WISCONSIN COMMUNITIES WILL LIKELY BE TARGETED FOR MORE OF THIS INDUSTRIAL DEVELOPMENT AS OUR STATE HAS THE HIGHEST POTENTIAL FOR NEW FACTORY FARM GAS PROJECTS.