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Carbon Trading: The Next Opportunity For Farmers?

I'm sure readers of this article are familiar with this topic, or have at least heard something about it in recent years.

Put incredibly simply, soils sequester atmospheric carbon (carbon dioxide) and store it in various forms–including soil organic matter from previous articles. Farms can assist and improve this process through management practices.

In application, this fundamentally important, naturally occurring process is liable to reduce the effects of greenhouse gasses in the atmosphere. Yet, this is an incredibly dynamic process and rather hard to measure accurately.

No less, the public and private interest surrounding this process has increased dramatically in recent years, reflected by the inception of many companies that offer financial incentives to agricultural producers who sequester atmospheric carbon by increasing soil organic matter through various farming practices. These companies offer payments for "carbon credits" generated by these practices that can be sold to other companies looking to "offset" their carbon emissions.

Though the conversation surrounding carbon trading is currently loud, this is not a new idea; it harkens back to cap-and-trade strategies, impact fees, and excise taxes from previous environmental initiatives.

In effect, all these strategies aim to address the "externality"–the uncaptured side- effect–of emitting greenhouse gasses through an economic mechanism, rather than a tax or regulation. Without too much economic jargon, the goal is to efficiently offset carbon emissions through these tradable credits. Buying a credit to offset previous emissions is effectively creating a zero-sum game of carbon emissions. In theory, those who emit a lot of carbon dioxide will buy more credits from those who emit less or who generate credits.

For farmers, this means a lot of cold calling, advertising, and messaging from these companies looking to generate credits. No doubt, this provides an opportunity for the modern farmer looking to both generate real ecological benefits and an additional source of income from their operation. Some companies offer outstanding financial incentives that are hard to fathom and turn down.

Importantly, this article is not meant to discourage, but rather present the considerations of enrolling with a carbon credit seeking company.

The current landscape for these companies and their respective carbon credit market participants is relatively open. There is no devoted governing body that oversees these markets and credit generation mechanisms, other than the common laws of society. This is certainly freeing, however it creates significant uncertainties.

On the farm, these uncertainties come in the form of differing requirements, including changing agricultural production practices to varying degrees depending on the company with whom the farmer chooses to work.

For instance, some companies only recognize future practices to improve soil organic matter, and not those practices already in place. In our region, the majority of our acres are in no-till production (a great conservation practice) and have been so for more than four decades. This practice on these acres would not be considered in the credit generation for some companies, effectively penalizing already conservation minded farmers.

These details and many more are far more complicated than presented. No less, it speaks to the variability and base uncertainty of these markets right down to the farm level. More conversation and clarity is needed for more agricultural operators to enroll in these programs.

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