A Farmer's Guide to Conservation Payments

Precision Conservation Management

Cost-Share Programs (Pay-for-Practice)

Cost-share programs help offset your input costs for conservation practices and often looks like **a flat dollar amount for a specific practice.** This type of funding comes from two sources: Federal and Private. You should be familiar with the source of funding and whether a carbon asset is being claimed so you avoid "double-dipping" when trying to stack opportunities.

Examples: PCM PepsiCo Incentive Payments, Farmers for Soil Health

Carbon Markets (Pay-for-Outcome)

Carbon programs that are one of the first circumstances where **good farm data can convert into hard dollars.** Using cover crops in the winter with a no-till system can store an estimated ~1.5 tonnes of carbon per acre in your soil. This is the sequestered carbon companies would like to claim – and pay you to do so.

Carbon "credits" are generated by a measurable reduction in GHGs or actual sequestration of atmospheric carbon into the soil. Carbon Registries, such as Verra and Climate Action Reserve, provide an oversight and audit function to "verify" these credits, especially in offset markets.

Inset vs. Offset: Who is buying your carbon credits?

- When a farm-generated carbon credit is sold to another party within the food and ag supply chain, that is an ***inset*** (i.e. the supply chain reducing its own carbon footprint).
- When a farm-generated carbon credit is sold to a party outside of the food and ag supply chain, that is an **offset** (i.e. the buyer is offsetting its activities with a carbon reduction from elsewhere).

In general, we recommend farmers look for inset carbon market opportunities, as inset markets account for a farmer's impact on the agricultural supply chain.

Additionality

Creating a carbon credit often requires you to do something new or different because carbon reduction is about reducing carbon emissions from a baseline. For row crop farmers, this means reduced (or no) tillage and utilizing cover crops. Here's the challenge:

1. Farmers who have a long history with these practices struggle to get paid for their existing good stewardship.
2. Once a farmer implements these new practices and enters a field into a particular market, switching markets for a better opportunity in the future may be difficult since the practice has already been provided to their original market.

Decide Which Opportunity is Best for You

Here are a few things to consider before committing to any contract or program:

1. **Do programs pay for new practices only, or existing practices?** Many programs require additionality and only pay for practices changes. PCM's exclusive PepsiCo Incentive Payment Program is an opportunity for farmers to get paid for existing practices.
2. **Contract length and terms** – Flexible contract terms can make growing season decisions much easier for farmers. Year-to-year carbon market programs offer more flexibility than multi-year contracts.
3. **Time burden for the farmer** – PCM takes on the brunt of the data collection for you, but not every program operates this way. Consider the value of your time when deciding on program enrollment.
4. **What is the payment structure?** Pay-for-practice programs are the most transparent pricing structures. Outcome payments are based on carbon assets generated by your farming practices, which is much less clear for farmers. "Price Premium" models have a potential financial upside, but are generally higher risk.
5. **What is the funding source?** Payments can be stacked, but usually only if they are pulling funds from different sources. PCM Specialists stay on top of these rules and find opportunities for farmers to maximize their payments.
6. **What happens with your farm data?** Before you sign a contract, ask about data security and make sure your data is not going to be shared or sold to others.

Stacking Payments

Understanding your market is imperative to unlocking additional funds. The key is to remember that **you cannot sell a carbon credit twice, and you also cannot get paid twice with federal dollars for the same practice on the same acre**. Stacking carbon programs alongside federal cost-share, such as traditional NRCS programs, is the most effective way to maximize revenue. Many Partnerships for Climate-Smart Commodities programs do this stacking for you, so be sure you understand the funding source when trying to stack programs.

Get Your Data Ready

Programs, payments, verifiers, and terms can all vary, but the starting point for any farm is in records and data. Getting this organized will decrease your enrollment and reporting time, increase potential for payments, and lay the foundation for income streams in the future. Plan on gathering 3-5 years of historical records including soil tests, tillage, fertility, planting, crop protection, harvest, and cover crops.

There are several considerations to make when choosing which market is best for your farm, but you don't have to figure it out by yourself! **PCM Specialists can work with you to find the best opportunities for your farm**, stack payment if possible, and even help early adopters get paid for their existing conservation practices.