Big potential for dairy and carbon

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If you're not ready to participate in the carbon market, you are not alone.

A survey of farmers by Trust in Food showed that only 3% are actively participating in the carbon market, while more than half, 59%, would not participate unless they saw changes to the way the market is set up.

"There's a lot of inconsistency between the markets that needs to be navigated," said Jamie Vander Molen Boehl, vice president of sustainability initiatives and outreach for Illinois-based Newtrient.

But while carbon markets are likely not a silver bullet for farm profitability, Boehl thinks it presents a unique opportunity for dairies, so long as producers ask the right questions and are in a good program.

"Evaluate and question the solutions for your farm. It's good to question everything and have an expert that you can talk to," she said to a group of producers at World Dairy Expo.

Dairy farms can generate carbon credits from multiple places, whether by converting to no-till and planting cover crops, putting in a manure digester to cut down on nutrient emissions, making dietary changes to the total mixed ration or feeding more additives to lower enteric emissions (burps) from cows, or by just being more energy efficient or using less fossil fuels.

"These are the four areas with the biggest impact," Boehl said. "These are the all the opportunities for a potential market. Any area where you can reduce carbon is also an area where you can capture carbon credits."

But the key word is potential. Almost all the carbon credits farmers, including dairy farmers, are generating now come from carbon credits produced by putting in no-till or planting cover crops; many other practices aren't being counted yet, she said.

Farmers who put in practices many years ago are wondering how they can participate and get credit for things they have put in. In fact, getting credits for preexisting practices was the second-most important item producers surveyed said they want to see from carbon markets, Boehl said, just behind getting a clear annual payment amount per acre and just ahead of "minimal paperwork."

Questions to ask

Ultimately, though, it falls on a producer to get the best deal if they are interested in participating in today's carbon market, or any future opportunities coming.

Here are some questions Boehl said producers should ask:

- What are the payment periods?
- What is the payment amount?
- What is the minimum acreage required?
- What locations are offered?
- What are the data requirements and ownership?
- What is the program start and end date?
- Can early adopters participate?
- Who pays for monitoring?

"And keep your options open, too," Boehl said. "I think it's important to take your time and explore. Again, I don't think this is something that's opening and closing, and it'll be gone in the next couple of years. These markets are only increasing, and the opportunities for dairy to provide reductions are increasing. Keep your options, and know that more will be coming down the pipeline."

Driven by consumers

So, what is driving the carbon market? Consumers.

"Consumers are expecting brands to have sustainability commitments, and to help them achieve sustainable lifestyles," Boehl said, referring to a 2019 report from The Hartman Group that showed 70% of consumers want to see companies' sustainable practices more visible to the public, and 81% of consumers said it was incredibly important to implement sustainability programs.

The bottom line, she said, is consumers want to associate with a brand that promotes a sustainable lifestyle.

"This is definitely not something that's going away," Boehl says. "And you can see it through the supply chain through investor groups that are looking to invest in companies that have sustainable portfolios, and new companies are setting aggressive environmental goals. This pressure to decrease carbon emissions, it's only increasing. It's not going away."

Government programs and support are also pushing the market.

In California, for example, the state has a goal for its entire transportation sector to be carbon neutral by 2045. Boehl said that California's Low Carbon Fuel Standard is the largest regional carbon credit market out there, with other similar programs in the Northeast, Oregon and other states coming on line soon.

The recently announced Partnerships for Climate Smart Commodities is funding numerous programs to promote carbon markets and find other ways for farmers to reduce emissions on the farm. For example, Dairy Farmers of America got $45 million for a project to connect on-farm greenhouse gas reductions to the growing market for low-carbon dairy products, especially in the Northeast.

Private industry is also active in the market. Last year, Microsoft bought 2 million carbon credits from Land O'Lakes, primarily generated by cotton, soybean and wheat growers, Boehl said.

But don't just put in a digester or plant no-till because you're planning on selling carbon credits to the market. These can be big investments, so Boehl said producers should take a whole-farm approach before diving in.

"Although there are costs associated with adapting practices and technologies to reduce carbon and manage your manure, you may come out ahead when you figure the money comes in and can offset the cost of managing manure through practices and technologies, and then you can make money on the credits, through possibly selling fertilizer and maybe even selling the energy back to the grid," she said, talking about manure digesters. "We need to think about on a farm, how can you stack different benefits that exist out there?"

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