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Monetizing Carbon in Agriculture

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Carbon has increasingly become a product that companies measure, buy and sell. However, the price paid to farmers for carbon storage and carbon-storing practice adoption can vary considerably across different buyers. This factsheet outlines three different methods through which farmers are sometimes compensated: **payment for practice, green premiums and market access through carbon intensity scoring.**

Payment for Practice

These programs provide contracts that pay a fixed, per-practice rate to farmers who can demonstrate they've adopted practices that have been shown to store carbon.

Examples of eligible practices:

- Cover crops
- Reduced-tillage, strip-till or no-till
- Fertilizer management
- Manure management

These programs typically only pay for newly adopted practices that begin after a contract is signed.

Green Premiums

Some multinational food companies are willing to pay a higher price for commodities cultivated in ways that increase on-farm carbon storage. Typically, the food companies require farmers to adopt a specific set of management practices and provide reporting data on specific metrics.

Examples of green premium programs:

- PepsiCo's sustainable farming program
- Mondelez's sustainable wheat sourcing program for EU-marketed products
- Kellogg's Origins Program, which partners with farmers to increase climate, social and economic resiliency

Market Access Through Carbon Intensity Scoring

New markets for sustainable products, such as low-carbon foods or low-carbon fuels, typically require commodity inputs to provide a carbon intensity (CI) score — an estimate of how much carbon was emitted in the production of the product. For agricultural commodities, some of the biggest drivers of the CI score are fertilizer use, fuel and electricity use and transportation emissions.

Products with sufficiently low CI scores may find marketing opportunities in the following:

- Regulation-induced clean fuel markets such as California's Low Carbon Fuel Standard and Canada's Clean Fuel Regulations
- Future EU market access (once Sustainable EU Food System Framework is finalized)
- Emerging Sustainable Aviation Fuel markets in the U.S. and abroad

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