



November 9, 2007

## 2007 CARBON PAYMENT UPDATE

Area carbon contract holders will receive a letter from a company with a new name in November for the carbon payment program for continuously no-tilling farmland. The purpose of the letter is to certify no-till farmland and eligible grassland for the 2007 crop year. We have 301 carbon offset contracts in agriculture in the Gage, Jefferson and Saline County area, some of the first contracts in the nation to reward continuous no-tillers. As a result of successes in Nebraska and other states, the carbon offset market will now continue through the year 2012 to new contract holders.

A new company, AgraGate Climate Credits Corporation was created to expand the Iowa Farm Bureau Federation (IFBF) Carbon Credit Aggregation Program, which began in 2003. With more than 1,000,000 acres aggregated from American farmers, ranchers and private forest owners in 16 states, AgraGate is the nation's leading supplier of carbon credit aggregation services to agriculture. The Farmers Union is another entity in Nebraska that has entered the market offering aggregation services for carbon credits.

Iowa Farm Bureau Federation hopes to expand the market for carbon credits, saying it will help reduce greenhouse gases and boost farmers' bottom lines. The company will buy credits from farmers who use no-till practices or other methods that absorb carbon dioxide from the air. AgraGate will sell the credits at the Chicago Climate Exchange to companies that emit the gases believed to cause climate change.

Critics of carbon trading say it doesn't really clear the air because many of the credit sellers (no-till farmers), are already holding carbon in the soil. But others say how could you create a program that would ignore current no-tillers if the market would take off and be much higher? In other words, in a high carbon price situation, do not create an incentive to tear things up to re-qualify for the payments. The carbon market is at 1 to 2 dollars per acre per year for these contracts through the year 2010, and the past three years of payments has added \$572,569.44 to Gage, Jefferson and Saline County.

The technical advisory committee of the Chicago Climate Exchange set carbon payment rates at 0.6 per ton per year for the life of the contract in our area. There are new pasture or rangeland contracts available but a whole host of new questions on the documentation required. Ridge plant farming that was once in is now out. The next cutoff date for new contracts for AgraGate is June 30, 2008 with an option to back date one year. The next checks are expected this December. Through June, 43% of the carbon credits had been sold for this crop year. Selling has not been aggressive since the market dropped below \$3.00 per ton.

AgraGate and Farmers Union are accepting new enrollments for forestry, ag methane, new grass seedings (since January 1, 1999), no-till farming and rangeland. I am not aware of any other carbon offset payments to farmers in the U.S. other than Northwest Seeders No-Till Association. So far, compliance in the latest spot checks were 99.2% for no-till and about 90% for grass, which is outstanding in the carbon offset markets. The problem on grass contracts is enrollment of grass



that was established prior to 1999 which is ineligible at this time.

Dave Miller, Iowa Farm Bureau's director of research and commodity services, is the new chief science officer of AgraGate and has been invited to speak at the crop clinic in Wilber on February 15, 2008.

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