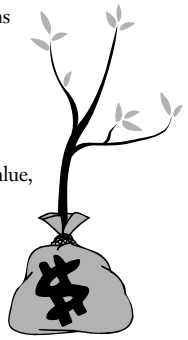
# Paying Up

Agricultural producers and landowners in most of Kansas can now enroll in a new program that pays for certain practices that sequester carbon.

"Soil carbon sequestration is basically the process of storing carbon in the soil, usually through increased levels of soil organic matter. There are several recognized management practices producers can use to sequester carbon, including no-till, grass plantings, increased cropping intensity, tree plantings, erosion control and others," said Kansas State University (K-State) professor of agronomy Chuck Rice.



As land remains under these management practices, it may be accumulating "carbon credits," which could have some monetary value, at least in theory. Now, the carbon credits are being recognized in the marketplace, and some producers are able to receive a payment for them.

## Controlling carbon

Last year, producers in most of Kansas were able to enroll in a carbon credit pilot project offered by the Chicago Climate Exchange (CCX) and administered by the Iowa Farm Bureau. At meetings last February, Rice and other K-State agronomists discussed the principles of carbon sequestration, and a representative of the Kansas Coalition for Carbon Management (KCCM) explained the carbon credit pilot project and how producers could enroll.

**Soil carbon sequestration programs are starting to pay.**

A new phase (called Pool 3) of this program is now in place, and eligible producers can enroll from now until the end of June 2006.

Eligibility requirements for the program are established by the CCX. In the eastern half of Kansas, land in continuous no-till (or strip-till or ridge-till) farming and new grass plantings is eligible, said Rice, who is also a soil specialist with K-State Research and Extension. In western Kansas (except for a few counties in southern areas), only land in new grass plantings is eligible at this time, although this may change as the eligibility requirements are reviewed by the CCX.

Last year, 72 producers in Kansas enrolled more than 75,000 acres in the first phase of the program — primarily no-till farming producers in the eastern half of the state.

## Buying and selling

The carbon credit program consists of four main players:

- the producers/landowners who have carbon credits;
- the Iowa Farm Bureau, which aggregates the credits from individual producers into a large pool of credits and sells the credits on a commodity exchange;
- the CCX, which offers the commodity exchange on which buyers and sellers can agree on a price; and

- the buyers, who offer a bid price for carbon credits, in terms of dollars per ton of carbon.

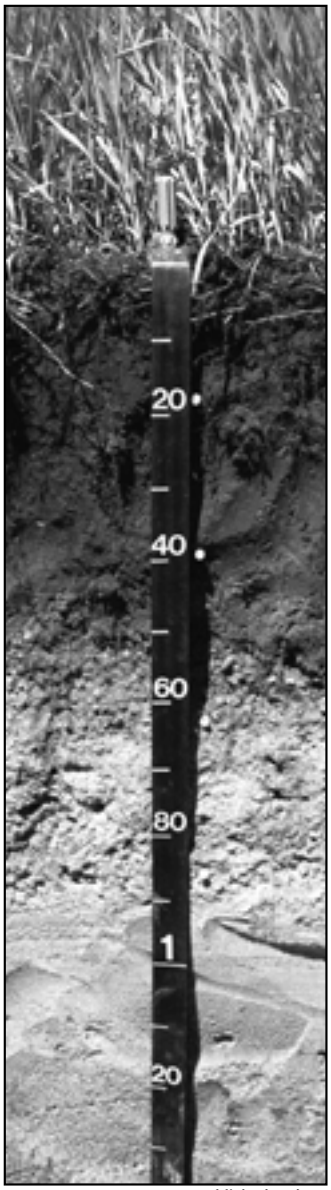
So far, buyers have consisted of some of the companies and municipalities that are members of the CCX. Examples of CCX members include The Ford Motor Co., DuPont, International Paper, the University of Oklahoma and the City of Chicago.

When the aggregator (Iowa Farm Bureau) who has the credits under contract believes the bid price is high enough, the credits are sold. The buyers pay the aggregator, and the money is then dispersed to the producers who enrolled in the project by signing a contract. The aggregator keeps 10% of the proceeds for administrative costs.

In December 2005, the Iowa Farm Bureau sold about 15% of the carbon credits under contract in "Pool 2" for about $2 per ton. This translates to about $1 per acre for land in no-till farming, and $1.50 per acre for land in new grass plantings. The remainder of the credits in Pool 2 remains with the aggregator, but should be sold sometime this year if prices improve.

There are many details and stipulations involved in this program, and producers should review the contract closely. Producers interested in the new Pool 3 phase of this carbon credit pilot project can find a description of the program and a copy of the 2006 Exchange Soil Offset (XSO) sales contract at *www.iowafarmbureau.com/special/carbon/default.aspx*.

More information about carbon sequestration is available at *http://soilcarboncenter.k-state.edu* or by contacting Rice at (785) 532-7217 or cwrice@ksu.edu.




A permanent grass cover established under the Conservation Reserve Program resulted in sequestration of large amounts of carbon in this northern Minnesota soil. The dark area in this soil profile is very rich in carbon.
[PHOTO COURTESY OF USDA ARS]