

Field Day Podcast Ep. 29 Truterra.mp3

Jordan Hoewischer [00:00:00] Welcome to Episode 29 of the Field Day podcast brought to you by the Ohio Farm Bureau Federation. My name is Jordan Hoewischer, director of Water Quality and Research at Farm Bureau. Today we are talking about carbon once again. This is the first of a few more episodes talking about specific programs that are out there for farmers. Hopefully this will be able to add some context or some depth of knowledge to the industry that's kind of emerging. Today we're talking with Amanda Bahn-Ziegler from TruCarbon, which is, Truterra is the company, but it's an affiliate of Land O'Lakes. So you'll get their perspective on what they are offering farmers, what they've offered in the past, what they're hopefully offering in the future. And then in subsequent episodes, we would hope to check in on them as they do announce new programming. I don't know if I said this on the first episode, but Farm Bureau doesn't endorse any of these specific programs necessarily. We are just hoping to provide the options that are out there for farmers and just want to make sure everyone knows what's out there so that you can make the choice that you want on your piece of land and keep it moving. So just wanted to make sure that you didn't think Farm Bureau was specifically promoting any specific project or program. We are just happy to hopefully highlight some selections for you. Enjoy.

Amanda Bahn-Ziegler [00:01:39] Well, I'm Amanda Bahn-Ziegler and I am located in north central Ohio. I tell everybody I live right between Upper Sandusky and Sandusky and I am an account manager with Truterra. And I'm also kind of our field team lead for TruCarbon. So what that means is I just out of all of us account managers, I spend the most time getting up to speed on carbon and representing us in this first carbon launch. So how I got here, I grew up in Wisconsin. I grew up on a dairy farm. I went to college and UW River Falls. And I started working for WinField United after that. And I was with WinField for about seven years, selling crop inputs, seeds, things like that. And just in January, I made the switch over to Truterra.

Jordan Hoewischer [00:02:26] So I guess, give me the rundown on what is Truterra. I think people have heard more and more about it, but give me the rundown of what this entity consists of and who is associated with it.

Amanda Bahn-Ziegler [00:02:40] We are a division of Land O'Lakes, a 100-year-old farmer-owned cooperative, one of the largest ones in America, and we are the sustainability business of Land O'Lakes. A lot of people are familiar with our dairy food segment. And then we have WinField United that's crop inputs. We have Purina, that is the animal feeds. And then Truterra is our sustainability business. And what we do is we work with a retailer network, retailers that are members of Truterra, and we work with them to work with their farmers on sustainability on farms. So what can we do to improve stewardship of the ground while maintaining profitability and hopefully increasing yield.

Jordan Hoewischer [00:03:21] So what retailers in Ohio are you working with?

Jordan Hoewischer [00:03:25] So right now, Heritage Cooperative and Mercer Landmark are both Truterra members.

Jordan Hoewischer [00:03:35] Yes, that's interesting because Mercer Landmark would be western Ohio, which is generally, some of their clients have had a lot of history with water quality and certain things so it will be interesting to see, adding carbon on top of that would be interesting to see how that works. That's where I'm from. I'm from Shelby County.

So a lot of farms like ours and others like ours are Mercer Landmark clients I would imagine.

Amanda Bahn-Ziegler [00:04:02] It's been exciting to have Mercer come on board. They just trying Truterra. We just completed... 2020 was their first season with us. So we're really starting to get more engaged over there and get more farmer interest, too.

Jordan Hoewischer [00:04:14] I believe they have a new CEO recently in the last couple of years.... And I think I did a Field Day with them a couple of years ago when he was just starting. So I think he probably has a little bit to do with getting some of these new programs off the ground. So, your initiative is TruCarbon. So give me the rundown on what that is and what are the details for that program.

Amanda Bahn-Ziegler [00:04:45] So for five or six years now, Truterra has been helping farmers kind of track their sustainability journey with the vision that these ecosystems service markets were going to come up and be able to reward farmers for the progress that they've made. And carbon is kind of the first frontier of that. So the carbon markets came along. We launched our program and called it TruCarbon and in TruCarbon we helped farmers get rewarded for stewardship practices they've implemented within the past five years. So our program had a five-year look back period and we were able to get farmers paid for carbon tons accumulated over those five years and our program paid at a rate of \$20 per ton.

Jordan Hoewischer [00:05:30] So I will tell everybody and you that I'm dabbling in this, I'm new to this. So my questions are probably a little naïve at the moment. But what does that mean for the future of that land? So say I have an acre that I have in this five-year look back, what does it do for year six, seven, eight, nine, 10 that are future looking? Are those still able to be put into a program or how does that work?

Amanda Bahn-Ziegler [00:05:59] So every carbon program is a little bit different on the rules of engagement going forward. In almost every program you're going to have what's called a reporting period or durability period, where the practice that qualified you for a carbon credit contract, you have to keep it in place and that keeps the carbon stored. That's what these carbon buyers are after. They want carbon storage. So that does a couple of things for farmers. First of all, keeping the practice in place helps to generate more carbon credits every year. Every year you're raising a new crop of carbon is what we say. So keeping that practice in place helps you to be able to have a carbon credit to sell for future. In our program, you don't have to sell to us. We certainly want to keep buying carbon each year from these farmers that implemented these practices. But in our program, you do have to report your data to us each year going forward. And it's for a 20 year period for us. But you don't have to sell the carbon credit to us for 20 years.

Jordan Hoewischer [00:07:00] So there's a five year look back. They get paid up front for that look back and then they just have to be in the program for 20 years and then just provide information to satisfy that they're doing whatever practice got them there in the first place. But they can still make money off of those carbon credits, the future ones.

Amanda Bahn-Ziegler [00:07:22] Your new carbon storage every year is what your next credit is going to come from.

Jordan Hoewischer [00:07:30] Before this, we talked about the program that you guys have now this winter and spring is kind of closed this month or last month, maybe in

March. What's the scope of that project? How many farmers or acres...I don't know what you can and can't talk about, but what's the scope of this first round of projects?

Amanda Bahn-Ziegler [00:07:52] So Microsoft was our first buyer for TruCarbon, so all of the credits that we are transacting currently are going to Microsoft and they were looking for 100,000 tons of carbon. So we had our contracting period open, our enrollment period, I should say, open for about 30 days. And in that 30-day period, we had over 1200 farmers indicate interest in our program. By the time we got through adding your fields and getting your data recorded and figuring out which fields qualify and which ones don't, we'll end up having contracts with just over about 150 farmers. That's the number that it took to reach our 100,000 ton mark.

Jordan Hoewischer [00:08:37] What's the geography of those 150 farmers. Is that all Ohio, Midwest, or where are those people located?

Amanda Bahn-Ziegler [00:08:44] It was open to almost the whole nation....But we do have quite a bit in the Midwest, like Iowa, Kansas especially. But we have some farmers in Ohio that will have carbon contracts and then we even have some as far east as Maryland.

Jordan Hoewischer [00:09:04] So I guess that one is closed and I assume as more buyers come on the market for you guys, you will continue to open the program up depending on scope and type of buyer.

Amanda Bahn-Ziegler [00:09:21] Right, and we hope to have multiple different types of buyers and contracts available in our program, so our next contract opening we think will be in late fall of 2021. So in the meantime, we're kind of gathering interested parties. So we're talking to the buyers of carbon, we're talking to farmers that are interested in selling carbon and then hopefully late fall when our next contract enrollment opens, those people can kind of sign up and we'll be able to connect them.

Jordan Hoewischer [00:09:52] So will every program be the same or is it the buyer dictating if it's a lookback or if it's a new carbon? How is that being determined?

Amanda Bahn-Ziegler [00:10:00] Yeah, some of it is buyer preference. Some buyers want new practice implementation. They want to buy carbon credits from acres that have never had cover crops or they're conventional till but they're going to make a change. So some buyers are looking for that. Some buyers like Microsoft, they were looking to buy vintage credits because they wanted them delivered now. They didn't want to have to wait until the end of the season. So some of these things are going to be buyer preference. And then there are other things that are just going to be market driven.

Jordan Hoewischer [00:10:30] Yeah, because you would think that. They're equal. To me, if you have something that is in the ground and is stored, that should mean just as much as a new carbon because if you don't secure its longevity, then you would lose that in the balance sheet of carbon. I don't know that the market says the same, but in my head they should both be equal.

Amanda Bahn-Ziegler [00:10:57] That's been one of the challenging conversations in the carbon market right now. There are so many farmers that have already implemented practices, but they implemented them a long time ago, let's say 10, 15, 20 years ago. So they have carbon stored. And it's frustrating for them that currently buyers are not looking to buy carbon from those acres. And it all comes down to a term called additionality. The

people buying the carbon credit, they want to be able to prove that this is additional storage that their investment made happen. Somebody that's been no-till for 15 years, they were probably going to stay no-till. The buyer's investment in that, it's hard to say my investment is what kept that carbon stored.

Jordan Hoewischer [00:11:38] How does a program like this work on rental ground? A farmer who is just part of a lease agreement or even a handshake agreement? How does that work? Is it just the farmer that can get these credits or is it the landowner? How does that work?

Amanda Bahn-Ziegler [00:12:00] It could work either way. And in some programs, rented acres aren't eligible. In our program, they are. A farmer could enter rented acres, but it comes with some complexities. So there's that 20-year reporting period required with our current contract. And it's hard for a renter to guarantee that they'll be able to report that data and keep the practices in place for 20 years. So in some cases, I think rental contracts will change. I think there's going to be a lot fewer handshake agreements. There's going to be some things on paper. And then also if the landowner wants to market these carbon credits, they have to be able to know that they will have access to the data needed for reporting every year for that 20-year period so they have to get written into the rental contract every year: you need to share this data with me if you want to write my ground.

Jordan Hoewischer [00:12:51] I say that because I think this could be used as another weapon to increase conservation, increase better nutrient holding practices, soil holding practices, because if you can do some sort of agreement in the lease that allows for more of these things to be put in place, especially if there's a reward, and it's not just the preference of the landowner. Because in Ohio we have 50% of the land is owned by the person who doesn't farm it. So there's not a lot of contracts involved, a lot of times. And so I think something like this would be very interesting to have as another piece of the pie. So to add to it to incentivize these people to make the switch. I think this could be really huge.

Amanda Bahn-Ziegler [00:13:41] Yeah, for sure. And that's one of the things that I think about with carbon credit opportunities. Some of the feedback we get right now is it doesn't amount to that much money per acre, but these practices that you implement have benefits outside of a carbon contract. It just takes years to realize those sometimes. They improve soil health and water holding capacity, reduce compaction. These carbon markets right now to me are kind of like a stepping stone to help you get that financial benefit in the first few years until you start realizing some of those harder to come by benefits like soil health.

Jordan Hoewischer [00:14:15] I think that's great, because I think they're all intertwined. I mean, my main task is water quality, increasing conservation practices or at least understanding of them so we can disseminate that information. So, I think the Venn diagram, the middle part of the Venn diagram of carbon and water is pretty busy. So I'm definitely intrigued. So say someone listening to this is a farmer and they don't know if they're even in the realm of possibility to be part of the carbon market. What's a good way for them to determine how they stand or how far they need to go to be able to capture carbon credits in the future?

Amanda Bahn-Ziegler [00:14:58] That is a hard question to answer, because every carbon program is looking for something a little bit different and certain acres qualify for this program but don't qualify for that program. But there are a couple of things that

farmers can do. First of all, most of these carbon programs are looking for a practice to have changed or a new practice to have been implemented within the past few years, let's say. So if you're a farm that has already made a practice change within the past five years, like one gold star for you, that's great. Make sure you start to record that data. Start gathering your data. That'll be the challenge there. If you're someone that's made a practice change longer than five years ago or you haven't made any changes recently, then you would need to start thinking about what other things can I implement on my farm, whether you're already no till, well do you use cover crops? If you're putting all of your nitrogen up front, could you split that application? Can you use a stabilizer? What are some of the kind of stewardship-minded practices that you could implement on your farm. For Truterra, our retailer network. I mentioned the two that we have in Ohio...They can help farmers identify some of those opportunities on their acres. We have our Truterra insights engine tool, and that's really what it was built to do even before carbon markets were here. A farmer can kind of tell the tool what's going on in their farm today. And then the tool can help you identify acres where there might be an opportunity to manage it a little bit better and give you some ideas.

Jordan Hoewischer [00:16:27] That's really interesting. And I would assume that to have access to that insights tool, that somebody would need to work with those retailers if you're in those areas.

Amanda Bahn-Ziegler [00:16:37] Yep. Those two retailers would be able to service the Ohio area right now.

Jordan Hoewischer [00:16:43] And do you guys have plans, obviously, to bring on more retailers, depending on who's willing, or what's the plan in Ohio, because Land O'Lakes really doesn't have a huge footprint in Ohio. So I know that's probably one of their goals, is to keep expanding more and more into Ohio. But are there plans to involve more retailers?

Amanda Bahn-Ziegler [00:17:04] Yes, definitely. And Land O'Lakes, when you think about all of the divisions that we have, I think we probably have a little bit bigger footprint than what it feels like sometimes because we have these different names and divisions that we show up under. So we do have kind of a cooperative system built and connections within that. Truterra, we are going to expand our retailer network. We have a lot of retailers interested in joining us, especially since these ecosystem service markets are up and coming. They want to offer that value to their farmers. So the process for that is basically just like prospecting. When there's a retailer that's interested, they can reach out to us. Or if we have a geography that we're looking for someone to kind of fill a hole, we'll reach out to the retailers in that area and see if we can work together.

Jordan Hoewischer [00:18:06] What's one of the biggest hurdles you think in the whole grand scheme of things for carbon markets or what's the biggest thing that we need to overcome either from your side of the fence or from the farmers. What do you think is one of the biggest hurdles?

Amanda Bahn-Ziegler [00:18:21] Right now, I'll just say, from my experience, it's been hard for farmers to manage the data that's required for carbon. There's so much and it's not stuff that your monitor is going to just have recorded a tape somewhere and it all has to go from all these separate places into one place and get recorded. So an example of that in our initial enrollment period, I told you we had over 1,200 farmers indicate interest in our program. Most of them were not tied to one of our retailers either. They didn't indicate which retailer they work with or they said, no, I want to do this by myself. And now that

we're getting towards the end of data collection, almost all of the farmers that we're working with are in some way reaching out to their retailer for help. So just that data management piece has been hard and finding the data. A lot of us don't have great tillage records from six years ago, seven years ago, eight years ago. And depending on the program that you're in, you have to reach pretty far back and try to remember when did I plant this? How did I plant this? How many passes did I make of tillage? So just data collection and being able to manage all of that in spring when we're heading into planting season has been a challenge for these current carbon contracts.

Jordan Hoewischer [00:19:34] Yeah, I can imagine because spray records and some of the things are probably a little easier to come by. But how many swipes that you take on the tiller is probably not always recorded. I'm sure they can piece it together in your memory bank. Possibly, but.

Amanda Bahn-Ziegler [00:19:50] And that's what we're doing right now. Everybody's doing their best to kind of remember and find any record that they might have of what happened that year. But I do think that's a place where farmers, maybe if you're kind of a do it yourselfer normally, this might be a place where you want to find someone to help you with data management and things like that.

Jordan Hoewischer [00:20:11] Another kind of side question I had. And this may not be something in your wheelhouse, but how accurate do you think we are on estimating those tons of carbon... Things with certain practices. Is it kind of the wild, wild west right now?

Amanda Bahn-Ziegler [00:20:34] There are a lot of numbers floating around out there as far as what people are telling farmers they can expect for carbon accumulation. You know, I talked to one farmer that he thinks maybe he'll get a quarter ton per year based on who he's talked to. And then there's other farmers that they've had someone on their farm telling them it's easy to get four tons of carbon per year. And that's a big range. I do think the tools are going to get better. Everybody's jumping into the space and helping more technology and modeling, including us. We're actually working with Colorado State University on a new carbon modeling tool that'll be incorporated into our Truterra insights engine at the end of this year, so, in combination of like improved models and all the soil sampling that's happening around soil carbon right now, I do think we'll be able to get a lot more accurate in the near future.

Jordan Hoewischer [00:21:31] Yeah, it's like mapping the carbon genome or something. So keep all those pieces together to kind of have an increased network I think would be great, because that will be one thing that will be discouraging to farmers is if they start hearing different numbers for different people in different programs. I think that's going to be one thing that the whole industry is going to have to come together to make as a cohesive of a standard as possible. I think that will turn some farmers off I think if they don't understand fully what they're what they're going to get out of it.

Amanda Bahn-Ziegler [00:22:04] Yet as we get better understanding, obviously, there will be a lot of education outreach that will happen and I think people get a little bit more comfortable with kind of ranges and probably narrow that gap to the forefront of the protests.

Jordan Hoewischer [00:22:19] Yeah, I think I've hit the end of my list. What are other key pieces of information you think farmers specifically would want to want to hear?

Amanda Bahn-Ziegler [00:22:35] Well, I think there's a lot of things to pay very close attention to, if you're a farmer wanting to enter the carbon market. In some ways, it's very exciting. You know, it's a new revenue opportunity. And in a lot of cases you don't really have to change very much to gain this. But I think that farmers need to do their research and understand what they're signing up for. And on our website, truterraag.com/carbon, we actually have a blog post that kind of outlines what some of those watchdogs are in the fine details on these carbon contracts. So I think that would be a really good resource for people that want to learn a little bit more about the carbon market in general and then also find out what do I need to make sure I ask before I sign a contract?

Jordan Hoewischer [00:23:19] Yeah, it's almost similar to oil and gas contracts or even now the solar farm contracts. It's like what to do when the white truck pulls into your driveway. Don't sign anything on the hood of a truck before conferring with anybody. And I think, some of those same lessons can be applied to this industry, to where any of these long-term contracts, you have to make sure that they're understanding what they're doing and what they're getting out of it, because a lot of these people are signing contracts for the next generation to have to handle. So I think it's just going to be another normal thing that gets rolled into into generational farming. And it's really interesting to see the crossover because obviously we're talking about a lot of climatic things and things that are maybe new to some of the people in our industry. So I'm really interested to see how the water quality, the carbon and all that stuff kind of melts together. And hopefully we see that increased uptake of conservation practices around Ohio.

Amanda Bahn-Ziegler [00:24:28] Yeah, I definitely think we will. Just the people I've talked to, I've never had so many questions about cover crops and where should we get them and how fast can we get things like that.

Jordan Hoewischer [00:24:40] I think that's great. Well, I think that's all I have for you. I really appreciate the information. And I look forward to the future programming coming out and maybe doing an update in the future to say, hey, it's here. Here's what the stipulations are and hopefully, help drive people, qualified people to those programs and get things going for you.

Amanda Bahn-Ziegler [00:25:03] Yeah, that sounds great.

Amanda Bahn-Ziegler [00:25:05] All right. I appreciate it.

Amanda Bahn-Ziegler [00:25:08] And that was Amanda Bahn-Ziegler from Truterra. If you want to know more information about TruCarbon, please visit truterraag.com. And if you have any questions for me, please email me at jhoweischer@ofbf.org. And I appreciate the listen. Thank you.