



CONFRONTING THE ISSUES

Market Opportunities for Environmental Services AFBF Policy Development May 2006

Issue:

As the public's concern about the environment rises, opportunities for agriculture to capture the economic benefits of well-established and long-used conservation practices also rise. Are there ways farmers and ranchers can interact with appropriate conservation groups to find market-based approaches to improve the environment without relying on the government?

Background:

Markets are increasingly being used and proposed as a way to address environmental problems and manage natural resources. Functioning markets exist for water rights and sulfur dioxide credits can even be purchased via the Internet. Markets are being developed for trading water quality credits, greenhouse gas emissions, wetlands mitigation and many other environmental services.

The establishment of these markets presents opportunities to reduce inefficient regulatory burdens and develop new markets for services provided by agricultural landowners. It provides an opportunity for the private market to compensate landowners for environmental benefits through the application of conservation practices.

The establishment of environmental benefits creates opportunities to match up buyers and sellers and encourages innovation. In these markets, rights to emit pollution or use natural resources are distributed to stakeholders. These rights can then be bought and sold between those who can cost-effectively reduce emissions and those whose emission reduction costs are prohibitive. Pilot programs around the country are having mixed results. Challenges are introduced with new regulatory initiatives, such as mandatory engineering or water quality discharge standards, that make it impossible to have pollutant trading or to realize potential cost savings from such markets. At the same time, it would be useful for those involved in developing markets to clearly understand how much political and regulatory reform will be needed to stimulate supply and demand and make pollutant trading work.

New uses of resources on the agricultural operation are also feasible for agricultural producers. Conservation practices installed for protection of the environment can also present opportunities for diversification and additional income generating opportunities. Agricultural entrepreneurs are producing forage crops on grass waterways, harvesting nuts in riparian strips and charging hunting fees on sensitive soils set aside for wildlife habitat.

A major challenge for the agricultural community is finding the resources necessary to develop markets for environmental benefits. Growing public support has led conservation groups to look for opportunities to leverage resources and partner on programs that encourage adoption of conservation practices. Collaboration between these moderate conservation groups and the agricultural industry has been touted as a possible approach to developing workable environmental markets.

Undoubtedly, society's emphasis on environmental quality provides opportunities to which agriculture is uniquely suited to meet. A challenge for individual farmers and ranchers, however, is plugging into the various players and networks to participate in these exciting new ventures. Market-based initiatives are just beginning and are sporadically offered around the country while new uses require specialized products and markets. However, proper research, market development and proactive, entrepreneurial action offer endless possibilities for the agricultural sector.

Farm Bureau Policy:

National Conservation and Environmental Policy, #30, starting on line 1:

We believe that improving the environment by enhancing conservation, wise use and productivity of our natural resources through private ownership, individual freedom and market-oriented approaches is our most important conservation and environmental goal.

Starting on line 21:

A consistent long-term national conservation and environmental policy should be pursued that would:

(5) Rely on market solutions and/or performance-based approaches in which outcomes are well-defined, identifiable, verifiable and realistic;

Starting on line 120:

We support:

(8) Development of market-based incentives, pollution permit trading as alternatives to government prescriptions;

(13) The development of a practical voluntary carbon credit trading system. To encourage this new market, we also support a USDA pilot carbon credit trading project to develop trading criteria, standards and guidelines;

Questions:

1. How can the American agricultural sector work to increase opportunities for new uses of traditional agricultural products?
2. What role, if any, should government play in the development of market-based initiatives?
3. Should AFBF offer services to assist farmers and ranchers in availing themselves of various environmental marketing opportunities?
4. Should agriculture partner with moderate conservation groups to develop market-based approaches to environmental challenges?