



Conservation Markets Workshop/ Listening Session for Agriculture

Vancouver, WA – 11/5/08

Summary of Discussions

A “Conservation Markets Workshop/Listening Session for Agriculture” was held November 5, 2008, at the Water Resources Education Center in Vancouver, WA. Thirty-eight farmers, ranchers, and agriculture leaders from Washington and Oregon gathered to discuss concerns and barriers and to suggest ideas and solutions that would make it possible for conservation markets to work successfully for agricultural producers.

Participants in this event were active leaders in agriculture from both states. They included representation from most of the major commodities and geographic areas in the two states, from most of the major agriculture organizations, and from among conventional and organic, wholesale and direct market, and large and small producers. There were a few invited observers that sat in on this event, but active participation was limited to farmers and ranchers or their organizational representatives in agriculture groups. This was done to assure mutual clarity that the foundational purpose for the meeting was to provide farmers and ranchers with an open opportunity to discuss their concerns and needs for conservation markets as well as to engage the interest of the agriculture community.

In a morning session, the group heard informational presentations on:

- The fundamentals of ecosystem markets (David Primozich, Willamette Partnership, Salem, OR),
- Trading opportunities in carbon sequestration (Chad Krueger, Washington State University’s Climate-Friendly Farming Project, Wenatchee, WA),
- Water quality trading (Jeremy Sokulsky, Environmental Incentives, Tahoe, CA),
- The agriculture role in environmental mitigation (Dennis Canty, Evergreen Funding Consultants, Seattle, WA), and
- Why farmers have an interest (Ron Shultz, Washington State Conservation Commission, Olympia, WA).

After lunch, participants broke up into four facilitated discussion groups. Each group was asked to project their thinking five years into a hypothetical future at a point in time when robust conservation markets with broad and successful agriculture participation had come into existence. They were requested to ask themselves two broad questions about how we got to that point:

1. What issues or concerns did we need to address - what opportunities existed that we needed to recognize and take advantage of?
2. What structures, arrangements, institutions, ideas, and solutions were needed to make it happen – what were the “must have” components needed to make it work?

Following this discussion, the full group reconvened with each of the breakout groups reporting on its priority issues and concerns and on the “must have” components that they felt would be needed to make conservation markets work for agriculture.

1. “Must haves” to make it work:

The following is a preliminary list of “must have” components of conservation markets that resulted from the large group session. This list is not shown in any priority order:

- **Fair payment:** Agricultural producers must receive a fair and realistic price for the services rendered and payment amounts must be substantial enough to justify participation.
- **Reliable marketplace:** The market must be consistent and reliable over time so farmers can plan on participation and rely on payment being made. The marketplace must be economically sustainable over time.
- **Strong, credible and defensible markets:** This must be a real marketplace that produces real credits with a genuine value. Outcomes must be measurable and trades credible to all.
- **Trust:** There needs to be trust among the players in the market – needs to be buy-in from the environmental community on the markets.
- **Safe harbor:** There needs to be provision for “safe harbor” so that information revealed through participation does not expose the landowner to potential enforcement or increased regulatory action. Private property rights need to be protected.
- **Insulation from regulation:** There need to be protection against/assurance that creation of these markets does not create increased pressure for or new opportunities to increase regulation to take their place. Need to be sure regulations are not simply increased to make products of the market ineligible for market additionality.
- **Contract avoidance & consequences:** Where circumstances change, farmer-rancher participants need to be able to terminate contract obligations without undue

consequences;

- **Insurance:** There needs to be insurance that protects participants against unmanageable liabilities involved in these transactions.
- **Clearinghouse:** There needs to be a trusted, clearinghouse that can provide farmers & ranchers with credible information about credit values and practices. This needs to be run by non-farmers.
- **Database:** There will need to be a database of buyers, sellers, and transactions.
- **Flexibility:** The system must be sufficiently flexible or allow for participation by farmers and ranchers to change over time with new crops, new market conditions, or other altered circumstances in agriculture.
- **Demand driven by regulation:** To be strong that there is sufficient demand for services from agriculture, the market will need to be driven by regulation rather than simply by voluntary action and “green” demand.
- **Ag engagement:** The agriculture industry will need to be engaged fully in the creation and operation of these markets.
- **Transparency:** The market operation will need to be open, public, and transparent so that the process, values, and system is clear to all.
- **Education:** Farmers, environmentalists, and the public will need to be educated as to the benefits and operations of these markets.
- **Trusted science:** The market, its measures, practices, and policies need to be based on trusted science from credible trusted sources

2. Priority issues, concerns, and opportunities:

What issues or concerns need to be addressed - what opportunities exist that need to be taken advantage of?

- **Image:** A strong conservation market may have an image problem – it must be seen as a solution to conservation needs rather than as a way to avoid dealing with them.
- **Conflict with environmentalists:** Designing the program so that it can be used by farmers is likely to create conflict with environmentalists. Both farmers and environmentalists will need to see this as advantageous.
- **Fair payment:** The program must generate an actual market value for the services delivered and participation must produce sufficient revenue overall to make it worthwhile to be involved.

- **Complexity:** The program seems likely to be complex. Farmers may not have sufficient time or inclination to study and fully understand the system sufficiently that they are willing to become involved in it. The rewards must be sufficient to pay for the time-cost of involvement. Will need a fully-informed buyer and seller both of whom understand the value of participation.
- **Engaging the interest of agriculture:** It will be difficult to get the information about the program out broadly throughout the agriculture community so there is broad understanding, support, and participation throughout the industry.
- **Technical assistance and monitoring:** We will need trusted sources for technical assistance, implementation, and monitoring of the program (e.g. conservation districts and NRCS) if it is to be seen in the agriculture community as credible and if it is to be possible for farmers and ranchers to participate. These functions must be completed by agencies that are trusted by agriculture.
- **Contract length:** There is a limit to the length of the commitment that a producer can agree to – must remain flexible to be able to adapt to changes in the commodity market.
- **Oversight:** Who will provide oversight? Will it be someone agriculture can trust?
- **Measurement:** There will need to be clear and agreed measures of performance that will require modeling and fully understanding who conservation practices work.
- **Baseline & early adopters:** The baseline issues are difficult – if too high, nobody will be able to earn anything from such a market. And we need to deal with early adopters in a way that honors their continued efforts. They should not be eliminated from participation just because they were good citizens before the program got started.
- **Unintended consequences:** It seems possible that, once such markets get underway, regulators could see the processes they create as an opportunity to simply require such performance rather than supporting markets to pay for it. The baseline could be set by regulation, and then slowly elevated, closing out the marketplace.
- **Eminent domain:** Government could also undermine these markets through the use of condemnation, by simply buying farmland and converting it to environmental uses.
- **Transparency and standardization:** For these complex markets to be fully effective as markets and to be credible with the public they will need to be fully transparent to all and will need to operate in accordance to orderly standardized rules that all can accept. Establishing these rules will be a challenge.

- **Funding possibilities:** The possible available funding seems ample with large sums being spent on environmental mitigation and carbon and water quality offsets. This suggests the possibility that, if things work as they should, agriculture ought to be able to sell at a price that truly does cover costs and provide a possible profit.
- **Green market enhancements:** Certification and participation in these markets ought to also provide opportunities to take advantage of eco-markets and to earn additional money through green “value added” products.
- **Use of agriculture groups:** It seems possible that existing organizations that represent the agriculture industry and that are trusted by it ought to be able to take on some of the roles called for by these markets.

3. Break-out Sessions:

Since a good deal of useful detail was discussed during the smaller breakout sessions (each of which had only 9-10 participants), we have also summarized those individual group discussions, below. Membership in the four smaller groups was done arbitrarily with color-coded name tags – red, green, yellow, and blue:

RED Group:

Discussion in the “Red Group” breakout session identified the following issues, concerns and opportunities with conservation markets:

- **Image:** A strong conservation market may have a public image problem – it must be seen as a solution to conservation needs rather than as a way to avoid dealing with them or it will never grow to a point that it can provide meaningful support for agriculture in a way that works for agriculture.
- **Conflict with environmentalists:** Designing the program so that it can be used by farmers is likely to encounter concerns from environmentalists on some issues. Both farmers and environmentalists will need to see these markets as advantageous.
- **Trust:** It will be an important challenge that landowners can trust and have confidence in both the market institutions and the people or groups they deal with in making market transactions.
- **Contract term:** There is a limit to the length of term to which most farmers will be able to commit for some practices on the land. This can affect the ability to provide the necessary “additionality” that these markets may require.
- **One-stop shopping:** It will be important that the landowner be able to obtain all of the assistance needed from a single source – technical assistance, and understanding of the market and what it can provide, help with participating in the market. It will be much less likely that farmers will participate if they need to chase down the answers they need from several agencies or organizations.

- **Aggregator as broker:** It ought to be possible for the same people who serve as aggregator also serve in the role of broker to set up deals and hook up buyers and sellers.
- **Clarity & standards:** It will be important to clearly identify what is the product that is for sale, in a standard fashion, so it can be compared to ascertain reasonableness of prices. Each land parcel has different possibilities. Will also need standards for the quality of what is produced so the market can pay appropriately. It will be important to farmers that whoever makes this call is someone that can be trusted.
- **Industry education:** We need to bring the entire industry up to speed about these markets so they can support them and participate in them.
- **Research:** There are a good many unanswered questions – modeling, measures of performance, standards, etc. There will be a need for credible research to answer these questions and a need to continuously incorporate the results of that research into improved market systems.
- **Clearinghouse:** We will need some kind of “clearinghouse” or single point of contact where buyers and sellers can be brought together. There might be several functions such a clearinghouse could provide, including a web “listing” of market opportunities, assistance for participants, providing a reliable party with whom to contract, etc.
- **Leases vs. easements:** Some farmers may not want to sell perpetual easements. There need to be ways that leases or other “less than permanent” contract arrangements can also be sold in these markets.
- **Reliability and trust:** It makes a big difference “who” the farmers are dealing with. Can they be trusted? Are these markets reliable enough that farmers can count on the contracts they enter into and on the continued potential for future contracts from the same source?
- **Vulnerability to regulation:** We need to have ways to assure that the activities and information generated by these markets do not simply result in increased regulation.
- **Monitoring:** As the number of environmental “values” that are sold on a farm increases, the amount of monitoring that will be called for may also increase.
- **Brokers:** We will need a sophisticated broker or aggregator for farmers to deal with who can provide reliable information and provide insights into possibilities that might be available for farmers in a wide variety of situations.
- **Demand:** We will need to make sure the markets are structured in a way that helps assure useful and continuing demand for services farmers can provide.

- **Loss of farmland:** Some of the services that may be sold in a conservation marketplace will use up scarce quality farmland. We need to have processes, criteria, and safeguards in place that will provide assurance that quality agricultural lands do not fall to non-farm purposes and that funding that flows into these markets does not end up increasing the price of agricultural properties in ways that further foreclose farmers from being able to afford them.
- **Private markets:** There is a stress in that the working of the marketplace probably demands that information on transactions be public, while landowners will prefer that the details of their transactions be kept private.
- **Education and technical assistance:** NRCS and conservation districts are in a good position to provide the landowner education and technical assistance that will be needed to make these markets work.
- **Engagement of regulatory community:** The regulatory and environmental communities need to be educated on the value that can be brought to these markets by private working lands and on how much that value is worth – to justify regulatory structures that make the markets possible.
- **Examples of success:** There need to be numerous examples of success, showing how these markets are, indeed, a solid and workable idea and not some fad. We need a few good “poster child” projects to illustrate this point.
- **Alternative incentives:** We need to look for alternative types of incentives, in addition to just the conservation marketplace itself, that will help motivate owners of working lands to participate in these markets.
- **Standardized monitoring:** It would be helpful to have standardized monitoring in place so that when a farmer considers the marketplace he or she can know what monitoring will be involved with a given transaction and so that farmers doing similar transactions face similar monitoring.
- **Tailoring:** The individual transactions, in addition to being standardized, also need to be tailored to the needs of specific, individual locations. These two needs must be balanced.
- **3rd party verification:** For these markets to be credible with buyers, there will need to be 3rd party, independent verification. A credible 3rd party verifier will also increase farmers’ inclination to participate.
- **Fair value:** It will be important to have processes in place that assure that producers get fair value for the services they produce. This is a role a trusted broker or clearinghouse could provide.

- **Contract liability:** Liabilities under the contracts involved with these transactions will need to be manageable by the landowners who enter them. Perhaps some sort of insurance would help. Or perhaps aggregators or others should assume the more complex liabilities and provide a reasonable escape for farmers who for reasons beyond their control cannot continue to fulfill their contract obligations.
- **Early adopters:** Early adopters need to have credit in these transactions for their continued use of practices that they took on before the program came into being.
- **Protection from public mitigation:** We will need to protect agriculture from public action for mitigation (with use or threat of eminent domain) that takes land out of farming, yet at the same time we need to retain opportunities for agriculture in a free marketplace.
- **Breadth of opportunity:** We need broad opportunities that can involve most of agriculture in these markets throughout the industry.
- **Buckle-up:** It looks like these markets are on the way. We will need to be involved and prepared to influence how they develop.

Discussion in the “Red Group” breakout session identified the following “must have” ideas, market structures, and institutions that would make conservation markets work for agriculture:

- **Clearinghouse:** The group felt that a clearinghouse for the marketplace could, potentially, provide some or all of the following services – each of which will be a necessity to make the market work:
 - Assessment of possible markets and identifying prospects for them
 - Establishing or identifying and verifying the value and services provided
 - Highlighting the benefits for the engaged public
 - Tracking and verifying the level of income or payment received
 - Bonded for security of the transactions and for liabilities
 - Marketing the transaction possibilities to buyers and to sellers
 - Need to secure strong, broad demand for services
 - Drafting deals that head the industry in a healthy direction
 - In Oregon, ODA could potentially serve as a clearinghouse. In Washington, perhaps this role could be provided by the Conservation Commission & districts.
- **Pilots – poster children:** Will need to start with a pilot or pilots that can be successful and can demonstrate the benefits of participation to all concerned.
- **Education:** Need to get information out about the possibilities of these markets – perhaps with the help of conservation districts and NRCS.

- **Strong research:** Need to establish what practices contribute what values, and to be able to model what is produced to simplify participation. Research is needed on this.
- **Flexibility for practices:** Will need to be able to design new practices and practice standards as those are needed in the industry and by these markets – need to be able to come up with new ideas as new needs must be addressed.
- **Market stability:** Need markets that can be consistent, where the price is right, and where the check clears reliably.
- **Out-strategies:** Need to set this up so landowners do not get caught up in unmanageable contract obligations if compliance becomes impossible – need them to have contract provisions that allow them to escape unmanageable liabilities.
- **Avoidance of regulatory pressure:** If this is to succeed in creating an alternative to regulatory pressure, we will need to be sure there is buy in and ownership by: Government agencies and by the environmental community. There will need to be trust in the process by all involved in the process including, but not limited to farmers.
- **Start-up money:** There will need to be start-up funding to create the institutions needed to get this market going – may need public funding for this.
- **Baseline:** There will need to be a baseline that works, both to provide clear benefit for the environmental service (carbon, water quality, mitigation, etc) but also to provide genuine opportunities for agriculture participation.
- **Independent broker:** It may be valuable to have an independent broker or marketing agent of some kind that can represent the interests of sellers and gain the full trust of the sellers participating.
- **Reliable money:** Will need to be markets that are steady and secure enough that they can provide a reliable source of income for participating farmers that will serve as a buffer against the vagaries of an uncertain marketplace for agricultural commodities and other uncertainties that exist in the agriculture business.
- **Clear values established:** These markets will need to be clear and somewhat simple in the dollar values they establish for the actions or concessions provided by the landowners – otherwise it will be slow to gain landowner participation.

GREEN Group:

Discussion in the “Green Group” breakout session identified the following issues, concerns and opportunities with conservation markets:

- **Landowner education:** It will be important to get information about the programs and possibilities out to the agriculture community. Perhaps the best way to do this would be through known agriculture contacts. Landowners will need to understand the benefits that these markets provide and will need to be able to explain those benefits to others.
- **Technical assistance:** There will be a need for strong technical assistance – perhaps this can be provided by conservation districts and NRCS.
- **How to set the baseline:** The baseline that is established needs to account for two factors – 1) the price to be paid and the value of the services to be provided, and 2) the desired standards for outcome desired/needed by the market. Both need to be considered.
- **Loss of farmland:** We need assurances/criteria/processes to prevent loss of valuable agricultural lands. Perhaps this is a situation where a “no net loss of farmland” policy might be appropriate.
- **Contract length:** The length of contract obligation will be an issue for most farmers – perhaps contracts in the range of 5-10 years might typically be workable.
- **Easy paperwork:** The paperwork for participation needs to be quick and easy or the work involved in becoming involved will be a deterrent.
- **Regulatory framework:** Which agency is involved from the government may be important – farmers may have a better relationship with some vs. others.
- **Multiple motivations:** Price is obviously important, but time involvement, and structures for the market all need to be designed to motivate rather than deter participation.
- **Additional income:** This will work best if it provides additional (as opposed to substitute) income for farmers.
- **Clear identification of benefits:** The benefits provided by participation on terms of quality and quantity need to be clearly identified and identifiable.
- **Community connection:** The program and the actions taken by farmers need to be connected to community needs and concerns so that there will be support for participation in the local communities where the services are being provided. The community will need to be educated as to these benefits as well as the farmers.
- **Site-specific:** The contracts and services will be very site-specific, so there will need to be flexibility to make those site-specific possibilities usable in the marketplace.

- **Consumer willingness to pay:** This will be critical and will need to be a focus of any program.
- **Ag-Urban comparisons:** Inherent in the idea of mitigation is that one can compare services provided by agriculture with values lost in a more urban setting. The values and impacts of what is lost needs to be matched with what can be replaced in the market where it is replaced.
- **Opportunities for flexibility:** In providing mitigation, it may be important that there are opportunities to provide services that are not exactly the same as the values that are lost. This may requires some flexibility in the programs.
- **Farmland as a parameter of benefits:** The very existence of farmland provides environmental benefits. So we should consider ways to get payment to farmers for the protection-existence of farmland itself, as a measure of the benefits it provides.
- **Technology monitoring:** There may be opportunities for monitoring using new technology that minimizes intrusiveness that might otherwise be needed.
- **Who profits?** Will need to have a system where all parties with an interest profit (buyer, seller, and the public) rather than one that generates unequal benefits to participants. This will be driven by the structure of the marketplace.
- **Defined objectives:** The specific problem to be addressed and the values and benefits desired will need to be clearly defined so that the costs of those benefits are appropriated to the goal.
- **Recognizing success:** We will need tools to make it clearly recognizable when the goals of the work have been met, and when they have not.
- **Re-aligning existing programs:** Existing programs that provide funding for incentives may need to be re-designed or altered to fit in with a strong conservation marketplace. (For example, surface water management.)
- **Pilot process:** We need to launch a pilot project that is clearly farmer-based (perhaps with a farmer cooperative serving as an aggregator) to demonstrate how this can work.
- **Single marketplace:** I will be much more convenient and approachable by farmers and clear for all participants if there is a single marketplace where one can go to participate rather than being required to go to different locations for information about a welter of different market possibilities.

Discussion in the “Green Group” breakout session identified the following “must have” ideas, market structures, and institutions that would make conservation markets work for agriculture:

- **Single marketplace:** We need a single marketplace for all of the various values to be traded. This will require some kind of start-up funding.
- **Trusted oversight:** Some group that is trusted by the participants needs to be involved and that has the capacity to do the work – such as conservation districts. The administrative fee can be provided through the buyer or as a percentage of transaction costs.
- **Information clearinghouse:** There will need to be some kind of reliable information clearinghouse where one can go to ascertain the potential transactions that one might become interested in.
- **Marketing through ag community:** The information clearinghouse could provide a database of willing participants in the market. Also could include existing entities that are willing to help – e.g. agriculture commodity groups, etc. This will need to be marketed through the agriculture community to landowners who might wish to sell.
- **Measurable outcomes:** This will be driven by regulation, so there will need to be clearly measurable outcomes for the rules that drive creation of the marketplace.
- **Farmer-based aggregator:** We should be able to create an aggregator that is supported by and trusted by the farm community – perhaps in a farm organization. There will need to be clear guidelines for this role.
- **Total ecological balance:** The objective needs to be an overall ecological balance on a system-wide basis, rather than specific balance for each particular ecological value. Otherwise the market will be too cumbersome to operated efficiently.
- **Transparency and trust:** The system needs to be sufficiently transparent that all who participate have trust and confidence as to the way they are treated and as to what has been asked/expected of them
- **Payment for ALL benefits:** The system should be designed so that ALL of the benefits of the landowner’s actions can be paid for, rather than just for some.
- **Supply and demand:** Supply and demand will (and should) ultimately determine the price.

YELLOW Group:

Discussion in the “Yellow Group” breakout session identified the following issues, concerns and opportunities with conservation markets:

- **Willing seller and buyer:** The market must be fully voluntary, with a willing seller and buyer. Sellers must not be forced to participate at an artificially low price on pain of some penalty or regulatory enforcement.

- **How to get information out to agriculture community:** Will need a clearinghouse or other method to get information about this market out to potential agricultural sellers. We will need to define the opportunities that exist in a way they can make use of.
- **Technical assistance:** Conservation districts and NRCS will need to be engaged to provide technical assistance, both for the implementation and for the monitoring components of this market.
- **Length of contracts:** There may be a problem with long contracts that might restrict a farmer's ability to be flexible as commodity markets change.
- **Oversight:** The monitoring and oversight of these markets may create some misgivings by some farmers if they are too onerous or intrusive.
- **Transparency:** How does the producer know what a fair price is? The market needs to be transparent.
- **Institutionalized:** This needs to be a standardized system so the burdens, costs, and expectations for participation are clear and predictable.
- **Understandable:** The terms for participation need to be clear and simple enough to be easily understood without a great deal of time-consuming study that would deter many farmers and add to their cost of participating.
- **Weighted factors for credits:** How will factors for creating credits be weighted? Will need clear and transparent process for accomplishing this.
- **Valuation across land type:** All lands are different, but valuation for the services provided needs to be clear and fair, across land type.
- **Unintended consequences:** There are at least two possible unintended consequences:
 - **Safe Harbor:** Production of the environmental services needed end up regulated using the information generated by the market to accomplish it. Need some kind of "safe harbor" for participants (and for industry).
 - **Conduct of buyers:** Over the long-term, buyers of credits could continue with conduct that prejudices the value of credits over time.
- **Uncertainty as to what can be sold:** There is uncertainty over what constitutes a carbon credit – some things that should create credits do not, and visa versa. Need to reduce this kind of uncertainty. There also seem to be too many different credit values to make the system easy to understand.

- **Early-adopters:** We need a system that also rewards the actions of early adopters rather than punishing them for already having created good environmental values.
- **Capitalization:** Will it be possible for landowners to capitalize and borrow against anticipated contract revenue from conservation markets? Should be able to do so.
- **Carry-over to commodity market:** Improved conditions for conservation credits should also increase the dollar value of agricultural commodities. Need to maximize the opportunity to make this translation possible.
- **Lack of landowner understanding:** One of the barriers is the lack of full understanding by landowners of the larger ecosystem system. Need to deal with this.
- **Use of commodity groups:** We could use commodity groups as active participants in this process and engage their support with and for their farm business membership.

Discussion in the “Yellow Group” breakout session identified the following “must have” ideas, market structures, and institutions that would make conservation markets work for agriculture:

- **Safe harbor – property rights protections:** There must be safe harbor from additional regulation for participants in these markets so the information they reveal about their operations does not end up used against them in creating new regulation. There need to be guarantees that participation will not prejudice or place at risk landowner property rights.
- **Lead entity:** There will need to be a single lead agency or institution (government or private) that operates the marketplace.
- **Trustworthy structure:** The institutions that guide this market need to be ones that create confidence in producers/sellers that the transactions will happen and that the amounts paid are fair and reasonable.
- **Buyers with money:** There need to be motivated and capable buyers with a willingness and capacity to pay for services if these markets are to happen.
- **Measurability:** The services provided need to be measurable with clarity so that participants can be clear on how many credits are being (or could be) generated by what activities.
- **Use of conservation districts:** CDs provide a natural, existing institutional structure that could serve the institutional role for these markets.

- **Capitalization of credits:** Credit instruments should be an asset that is tangible and tradable insofar as that is possible.
- **Value adequate:** The credits must have a value that is sufficiently substantial and worthwhile to make participation worth the bother.
- **Flexibility:** Participation must not be so inflexible that it constrains changes in other activities on the land. Farmers must be free to make ongoing changes in their basic farming operations as required by a volatile commodity marketplace.
- **Goal orientation:** Credits will, of course, be goals oriented. But the program and the contracts need to be written in a way that allows and encourages farmers to participate creatively in getting to the goal, rather than just being tied to some rote activity over which they have little say.
- **Outreach/education:** We need strong education both for landowners and for consumers and the public. We will need some institutional structure that can be effective in accomplishing this objective.

BLUE Group:

Discussion in the “Blue Group” breakout session identified the following issues, concerns and opportunities with conservation markets:

- **Cooperation not regulation:** The objective of these markets should be to maximize cooperation rather than regulation – this needs to be made clear to all.
- **Ownership stays with landowner:** The landowner needs to maintain control of the land with the conservation values being sold managed in the way a crop might be managed.
- **Accessibility:** The markets need to be established in a way that makes it easy for landowners to find them and use them.
- **Translating practices into dollar values:** Translating conservation practices into dollar values is a challenge. It will be important to trust who does this translation.
- **Multiple market uses:** Markets and the values they generate should be credible and generally accepted so that the values and techniques they use are accepted both for the expenditure of public funds and for addressing regulatory requirements, so both can be satisfied at the same time.
- **Loss of farmland:** How much prime farmland will be lost by reason of these markets? Need to have a handle on and to prevent unreasonable losses of land and competition with farmland buyers. Need to build farmland protection into the business plan so we can make the markets work without impacts on availability of farmland.

- **Price and value:** Will there be enough money in the marketplace to make participation worth the trouble? Will the price be sufficient to cover expenses and make an actual profit possible? Need to be able to estimate the benefits from actions and then create a transparent and fair auction process.
- **Early adopters:** Do not discriminate against early adopters. If we do, we create disincentives for future early adopters and reduce the likelihood of innovation in the future. There is, however, a converse concern that credits from early adopters who already use beneficial practices will be used to offset pollution, thus simply rendering past public and private efforts meaningless and valueless. Need also to assure that the price provided takes differences in cost of production into account – early adopter may have done so because the cost was very low.
- **Independent certifier:** Will need a credible independent certifier to determine the value of credits in a way that allows farmers to be able to predict the potential value of participation and of the changes that will be needed to participate.
- **Responsibilities and rights:** Farmers should be compensated for the public benefits they provide with their farms while, at the same time, undertake responsibilities to take part. There is both a right and a responsibility associated with these markets.
- **Baseline:** Farms can manage for many different environmental values simultaneously (salmon, butterflies, etc.) so what is the REAL baseline – need multiple baselines depending on the value of the services provided. The real value in a CREP lease, for example, is in the use of the soil, not in the trees that are planted on it.
- **Acts of God:** What happens if the value purchased fails due to unforeseen circumstances outside the landowner's control? There need to be protections and provisions for this.
- **Avoidance of unintended consequences:** What we don't want is for a program of this type to have the effect of making urban growth into farm country easier, because of these markets or of restricting farmland owner rights in a way that makes that more likely in practice.
- **Regulation increased?** Clearly regulation is needed to make these markets work. But there is a concern that too much regulation could be counter-productive. Best to move from strict command and control to more incentives – hopefully this is how such a program would work.
- **Renegotiation flexibility:** Will need to be able to periodically renegotiate contracts so new or different values being produced or paid for can be included or changed.

- **Standardization of credits:** It will be difficult to create standardized credits across the State or across the country.
- **Contract duration:** Will need the ability to contract for various periods of time depending on the needs and circumstances of the contracting parties.
- **Funding availability:** One of the opportunities is that there is currently a great deal of money in existing regulatory programs like mitigation.
- **Early engagement by Agriculture:** Agriculture has an opportunity to enter this marketplace and set a fair, sellers price rather than to wait for buyers. Concern is that government could exclude agricultural stakeholders and condemn land or buy it outright rather than negotiating fairly with its owners. Need early stakeholder involvement in creating these markets. Agriculture needs to play in this game or others will dictate how it works – perhaps not in ways that work for agriculture.
- **Realistic expectations:** We need to be realistic about what these markets can actually achieve in practice. This is an important priority – not to be carried away by unrealistic expectations.

Discussion in the “Blue Group” breakout session identified the following “must have” ideas, market structures, and institutions that would make conservation markets work for agriculture:

- **Regulatory foundations:** Markets cannot work unless there is a regulatory basis that motivates buyers.
- **Science-based values:** We will need a scientifically based organization to determine the existence and value of potential credits – must be soundly credible.
- **Regulatory creep:** Will need to prevent creep of the baseline that ends up increasing what landowners are required or expected to do. Targets can change, but requirements should stay the same.
- **Extensive technical assistance:** We will need credible and practical technical assistance for participants to help them determine the value of the resources they can bring to bear, to understand how the markets work so they can participate confidently, and to understand potential future developments that could affect the fairness/wisdom of any long-term commitment they may make.
- **Clearinghouse – information:** Will need a consistent and accessible source of information and registry for participants so people can track sales and prices and pre-determine potential credit values.
- **Environmental buy-in:** Will need buy-in from the environmental community of the needs for these markets are to be met.

- **Stakeholder involvement:** All stakeholders, landowners, farmers, special interests, etc, need to be fully involved and need to understand that (and how) the market method can work, what can be accomplished by it, and why it is important to their interest.
- **Verifiers, certifiers, brokers:** Will need all of these functions served, and more, if these markets are to happen.
- **Restraint on eminent domain:** If the markets are to work, it will be important that public projects use the market rather than eminent domain to secure their needed mitigation.
- **No net loss of farmland:** Need some kind of policy to protect farmland – e.g. perhaps a no net loss of farmland policy with some kind of sequencing and criteria for the use of land for mitigation and compensation.
- **Public value of farmland:** We need the public to recognize and value farmland for what it contributes in the same way that value wetlands – connect farmland to the ecological values it produces. Should get a research paper done that quantifies those values perhaps with a formula for what is lost when farmland disappears. Look at what agriculture does for the community, why, with what, and create a marketing campaign to develop public trust.
- **Stackable credits:** Probably a market will begin with single credits. But we need to eventually place ourselves in a position where we can use stackable credits for the various environmental services farms provide.

4. Participation:

The following were the agriculture industry participants who were asked to provide input at this meeting. (This list does not include our speakers, staff support personnel, or observers at the event). Also, please note that the participants were not asked for consensus concerning above summarized views so these views/comments do not, necessarily, represent the opinions of any particular one of the following people.

Rachel Airmet
 Ken Bailey
 Dick Carkner
 Fred Colvin
 Dick Coon Jr.
 Scott Dahlman
 Guy Evans
 Jack Field
 Jay Gordon
 Dave Hedlin
 Chris Herron

JP Kent
 Mickey Killingsworth
 Jim Krahn
 John Larson
 Tracey Liskey
 Dean Longrie
 Kirk Mayer
 Rhod McIntosh
 Larry Olberding
 Laura Oleary
 Jud Parsons

John Pearson
Craig Reeder
Shawn Reiersgaard
Dale Reiner
Ann Rigor
Maurice Robinette
Mike Rundlett
Paul Schanno
Read Smith

Sam Sweeney
Linda Thomas
Wade Troutman
Darryl VanderHaak
Jim Welsh
Ron Wesen
Chris Wilcox
Dan Wood