

Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



Investments in Agricultural Carbon Credits

By: www.ProfitableInvestingTips.com

An article in *The New York Times Dealbook* about [carbon credits](#) as the latest farm product caught our eye. The article lead states that cropland across the globe could potentially sequester up to 570 million metric tons of carbon every year. The Intergovernmental Panel on Climate Change puts the number at 8.6 billion metric tons. The article notes on how farmers could make money from carbon credits when they modify their farming practices. They also touch on the details of getting this to work including how the whole process could be a money-loser for any given farmer. Thus, we decided to look into investments in agricultural carbon credits as a viable way to make money, or not.

The Market for Carbon Credits

As noted in the article in **The Times**, carbon credits have been around for more than 30 years. The intent is to reward businesses that reduce the emission of greenhouse gases or even sequester carbon by various means. Companies that want to become carbon neutral often purchase credits when they have no way by their own actions to meet their goals. An example is Microsoft which recently bought 200,000 farm-based carbon credits. They are said to have turned down 5 million potential agricultural-based credits as they could not see how the practices involved in generating the credits were going to result in permanent climate benefits. A typical payment for such carbon sequestration credits is \$27 (\$15 to \$30) which is for sequestering enough carbon to offset the emission of a ton of carbon dioxide.

Are Investments in Agricultural Carbon Credits Profitable?

A fact of life on the American farm is that crop prices go up and down. When corn, soybean, or wheat prices are high it makes economic sense for the farmer to use synthetic fertilizers to boost crop yield. This practice typically means that the farmer will not get any carbon credits but will make more money than the credits were worth in extra revenue. When a farmer does not change farming practices year after year and receives carbon credits every year there is the cost of verifying that the process is successful in sequestering carbon.

Cost of Carbon Sequestration Verification

A farmer who wants to get carbon credits has to first establish the amount of carbon in their soil by having multiple samples taken and analyzed in the laboratory. Programs involved in this process look at farming practices, seed types, and even the weather to estimate how much carbon is captured by modified farming practices. The credits are, in turn, issued by third parties that validate the data. The cost to the farmer of verifying their initial situation and the results of ongoing operations has been an impediment to getting cash-strapped farmers to enroll. The United State Department of Agriculture reports that shifting to the sustainable practices commonly reduces row crop yields for the first two years after which farmers need to use less fertilizer due to breakdown of old, retained crop roots. Thus, the cost of carbon sequestration verification and

reduced crop yields in the first two years are a deterrent to farmers following this path. The economic question for the farmer will be if the carbon credit payments and reduced costs of fertilizers will offset yield losses over the years. As with investing in stocks, an analysis of [intrinsic value](#) of the investment is necessary. Sustainable agriculture is good for the soil over the long term but farmers need to survive year by year while running the risk of another [trade war](#) with one of their biggest buyers.

For more insights and useful information about investments and investing, visit www.ProfitableInvestingTips.com.

FREE training materials.

Free Weekly Investing Webinars

Don't miss these free training events!

<http://www.profitableinvestingtips.com/free-webinar>

Forex Conspiracy Report

Read every word of this report!

<http://www.forexconspiracyreport.com>

Get 12 Free Japanese Candlestick Videos

Includes training for all 12 major candlestick signals.

<http://www.candlestickforums.com>

Disclaimer: Trading and investing involves significant financial risk and is not suitable for everyone. No content on this document should be considered as financial, trading, or investing advice. All information is intended for educational purposes only.

