

## **Evaluating How Private Conservation Initiatives May Increase Farmer Adoption of Conservation Practices**

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### A. Introduction – Relation of Private Conservation Initiatives to Sustainability

In recent years several agricultural businesses and farm organizations have developed what can be described as “private conservation initiatives” (PCI), designed to encourage farmers and customers to adopt conservation practices, improve soil health and address environmental issues such as nitrate loss and climate change. This session is designed to examine the nature and range of “private conservation initiatives” (PCI) underway in to better understand how they operate, what they offer farmers who participate, and what role they might play in promoting soil and water conservation and addressing climate change. It also focuses on the role and opportunities for attorneys to play in the development and understanding of PCI. At the Drake University Agricultural Law Center we currently have underway a research project funded by the Leopold Center for Sustainable Agriculture at Iowa State University to examine the use of PCI. The materials for this session are drawn from that research. The project includes:

- a) an inventory to collect examples of PCI now underway;
- b) an analysis of the PCI to develop a taxonomy or method to classify and describe them by identifying key characteristics and differences;
- c) a legal evaluation of how the terms and contracts used in PCI compare to public conservation programs, such as Conservation Stewardship Program (CSP) and Environmental Quality Incentives Program (EQIP) offered by the USDA; and
- d) creating educational materials for farmers and attorneys to understand PCI and the questions to ask when considering participation opportunities.

The results of these activities will be assembled in a final report concerning the use and future of PCI in Iowa.

Growth in private conservation efforts raise important questions for the future of sustainable agriculture and the adoption of conservation practices. Because PCI are of recent vintage there has been limited examination of the actual legal mechanisms used for farmer participation and program delivery. Because of the importance some people place on private conservation initiatives, a better understanding of how they actually work is needed - especially if PCI may be an important component of future conservation policies. Key issues to be addressed when examining these initiatives include:

- a) what do PCI require of participants in terms of conservation practice adoption, nutrient management, or other actions;
- b) how do private conservation efforts contrast to or build on farmer participation in public conservation programs administered by the USDA or the state, and
- c) if private conservation initiatives expand as some people predict, how can public conservation efforts be integrated so the long term public goal of more sustainable agricultural systems is promoted?

The PCI project at Drake builds on the five-year partnership between the Drake Agricultural Law Center and the Leopold Center relating to Sustainable Agricultural Land Tenure, - components of which have been the topics of past AALA presentations. The main objective of the project is to obtain a better understanding of private conservation initiatives to help farmers and agricultural groups evaluate the operation and design of the programs. This understanding may help promote sustainable agriculture by providing a mechanism to determine how the goals of sustainability are being integrated into PCI. Because private business supported mechanisms may be more flexible in addressing water quality and nutrient loss issues than traditional public conservation programs, it is possible PCI may offer the potential to expand the sustainable agriculture impact of farm level conservation practice adoption.

Examples of Iowa based “private conservation initiatives” already identified include:

- 1) United Suppliers SUSTAIN initiative using Agren’s SoilVantage conservation planning component;
- 2) DuPont Pioneer MOU with USDA NRCS concerning the PrimaGreen Stover Harvest Collection project;
- 3) POET “Responsible Stover Harvest” initiative;
- 4) Iowa Seed Corn Cover Crops Initiative; and
- 5) “Fieldprint” projects by Field to Market, the Alliance for Sustainable Agriculture, including the Unilever-Archer Daniels Midland Project on soybean production and the Boone River Watershed Project involving Iowa Corn Growers, Cargill, Monsanto, Walmart and others.

#### B. Defining Private Conservation Initiatives

For the purposes of this discussion the definition of a “private conservation initiative [PCI] has six elements:

- An agreement, between
- An agricultural business, and
- A farm operator or landowner, to adopt
- A conservation or environmental farm practice, in order to become eligible for
- An economic incentive, relating to
- A market based, consumer oriented sustainability claim.

This definition has three key aspects:

- 1) the involvement of a private business;
- 2) an economic inducement (monetary or otherwise) for the producer; and
- 3) it all being tied to some market driven consumer related sustainability claim.

This 3-prong approach also provides a way to identify private conservation related activities not fitting the definition – and provides a mechanism to classify and characterize different types of agreements which do fit the definition.

## Research Objectives and Activities:

### 1. Develop a baseline understanding of farmers' attitudes and reactions to PCI

The Center staff is preparing a survey of farmers and conservationists, to ask about their familiarity with PCI, as well as determine what it will take to induce farmer participation. The Center is working with groups such as the Iowa Soybean Association and the Conservation Districts of Iowa to generate a survey audience representing a cross section of farmers and conservation officials.

### 2. Identify the PCI currently in use to understand the types of arrangements being used.

Center staff is collecting and inventorying examples of PCI efforts underway in Iowa by interviewing the businesses and farm groups involved with the initiatives, e.g., Agren and United Suppliers.

### 3. Understand how PCI are used by analyzing and characterizing PCI activities.

Center staff is interviewing program participants and promoters to insure a more complete understanding of how PCI are designed to work. Based on these interviews the staff will prepare a taxonomy and comparison of the PCI to understand the main features of the efforts and how they compare and contrast. The taxonomy is being developed based on a set of questions including:

- what is the nature of the "agreement" between the farmer and the PCI promoter,
- what selection or eligibility criteria are used for participation,
- what product or environmental service is being created,
- what enhanced environmental performance is communicated to third parties, and
- what benefit does the farmer receive for participating in the PCI?

The taxonomy will be valuable in part because PCI can be expected to evolve as the experience and nature of the programs develops. As part of the analysis, the legal methodologies used in PCI will be compared and contrasted to the program documents and agreements used in common public conservation programs offered by the USDA NRCS, in part to understand how the efforts can be integrated.

### 4. Preparing educational materials to help people understand how a PCI works.

Center staff will take the insights gained through the inventory and analysis and convert the information into user-friendly educational materials, including a checklist of questions farmers should ask when considering a PCI.

## C. Preliminary Results and Observations

The research at Drake is still on-going but sufficient progress has been made, especially in interviewing of the key stakeholders and PCI promoters, to identify a number of preliminary observations and thoughts. While many of these are articulated in the form

of questions, the issues raised shouldn't be interpreted as a conclusion PCI will not work but instead are intended to identify issues and questions which need to be considered to more fully understand the opportunities presented by PCI. These observations include:

1. Interest is strongest among companies with something to sell, such as a product or service - Excitement in PCI is higher among companies and organizations with something to sell in this space, for example food businesses such as Unilver and General Mills; agribusinesses such as Monsanto, ADM and AGREN); and input suppliers and cooperatives such as Winfield and United Suppliers (SUSTAIN). There are also a number of non-profits and farm organizations working on PCI including the Environmental Defense Fund (EDF) and Practical Farmers of Iowa (PFI), who are optimistic the efforts will improve environmental performance and assist farmers in meeting their obligations.
2. No uniform approach and little in the way of "legal" documentation – The PCI examined so far reveal little uniformity or standard methods of operation or delivery. Instead there is more of a "one-off feel" perhaps understandable given the experimental nature of the efforts. Somewhat surprisingly, there appears to be a distinct lack of any contractual or legal agreements documenting participation. The PCI examined are often opaque and non-transparent, requiring more detailed inquiry with the developers to understand what is being done.
3. Little evidence of direct financial rewards for farmers – While many farmers are excited about PCI as a new source of revenue we have identified few examples of any direct money or economic benefit coming to farmers. The one exception is the Unilever Soybean program which has provided a 10 cent per bushel premium to some growers in defined area, but it appears no one is replicating this approach. Promises of access to information and education are driving the PCI movement, not dollars.
4. The benefits are other than financial – Our interviews have identified a range of benefits other than direct dollars farmers may gain from PCI, including:
  - a. Best practices will actually make farmers more money by reducing costs, increasing yields, and maximizing production on most productive land. The evidence for these claims is still unproven. Past experience suggests farmers will not capture profit associated with these efficiencies without exercising increased power in the supply chain. There are few examples of anyone working on how to help farmers leverage these benefits. Farm groups realize the problem but are not actively engaged in helping farmers claim or hold onto the gains.
  - b. Being able to fend off regulation. This is a primary talking point for those selling PCI to farmers, especially among agribusiness and farm organizations.
  - c. Better access to markets. This may be more about staying in the market rather than being squeezed, rather than having access to new or more lucrative markets..

- d. Improved community image for farmers, i.e., the public relations benefit. This can be both in terms of farmers feeling like they are doing the right thing and social and market pressure to make farmers feel they are. Much of the PCI work is data driven and some farmers will use their data to compare with other farmers and to improve their own operations.
5. Farmer participation likely to be required for market access – It appears increasingly likely farmers may be compelled to participate in PCI rather than incentivized to do so. Market access is the key issue and leverage point to require participation. In other words, farmers are compelled to do certain things or have their access to markets taken away. Those selling products and services to farmers may benefit if for market access farmers are compelled to use certain practices. Organizing farmers to embrace private conservation as a way to fend off regulation that in turn compels farmers to do certain things and buy certain products could be a win for companies selling those products and services.
6. Creation, control, and access to farm data important element – There is a strong sense of competition among the key players around data and information. Farmers are being assured their data is being protected. But who is putting a value on this data? How is the data being used? Who controls the data? What kind of legal obligations are associated with the data? So far the data generated through a platform like the Fieldprint Calculator is the mechanism companies are using to make claims of sustainability improvements.
7. Growing frustration among farm groups over trends in PCI - Some agriculture organizations are becoming frustrated because the promise and delivery of benefits from PCI are not materializing to meet the expectations of farmers. Some are concerned the costs are being shifted to farmers and any benefits are being gathered at the top of the supply chain. This is consistent with how other costs and benefits have migrated along agricultural product supply chains.
8. Concern PCI may be new round of “green-washing” – The nature of consumer based claims around sustainability being made by companies and the lack of direct connection of claims to identifiable farm level actions may lead observers to question whether what is involved is more designed to obtain a green halo marketing benefit for companies involved, aka “green-washing.” The question may be is the needle actually moving on farm level environmental performance or are the companies simply doing a better job of marketing the status quo as green?
9. Relation of PCI to public conservation programs is uncertain – One key question is how will PCI interact with public programs? Is this development a substitute or alternative to public programs and resources or is it complimentary? There are mixed messages out there but it is clear many PCI promoters are playing on the increasing farm level frustration with the ability of NRCS to deliver programs in a timely and less rule bound manner.
10. No shared definition of sustainability and different motivations. The lack of a common understanding of what sustainability means is having the effect of there being - as yet - little integration of water quality, soil health, and climate action

- into the PCI efforts. Some people working in this space appear unconcerned farmers are responding to water quality issues while the businesses promoting PCI are doing so in response to climate change. They do not see a problem if the two sides are organizing the work around different goals because the goals are similar. This is a somewhat novel approach in terms of organizing diverse constituencies to work toward a common goal, especially when one group (farmers) for the most part, do not believe the problem the other group (businesses) are working to solve is real, namely climate change.
11. Farmer resistance to climate change action may hinder efforts – One real risk is how the farm sector’s blind spot on climate change may prevent it from leveraging significant financial benefits for farmers. Even if agriculture just sees climate change dollars (from carbon credits, carbon tax) as a source of funding for water quality, this could be a major win. Currently it’s very difficult to get farmers to organize around climate change and farm groups leaders recognize this reality. The disconnect is how consumer companies, retailers and manufacturers, are focused on emissions and climate change and much less so on water quality.
  12. PCI appear to focus on practices rather than measurable outcomes - Much like current public programs, PCI examined are mainly practice based efforts rather than outcome based. There is a potential for outcome based efforts to be developed and monetized in some way, but unless farmers organize to leverage this opportunity to use data and monitoring to actually demonstrate environmental improvements (something which drives regulatory efforts), there is little evidence other entities in the supply chain will do so. How are we going to measure outcomes rather than just calculating benefits based on farmer supplied data about their production practices?
  13. Reliance on practices and data generated may limit attention to changes in land management - The combination of practice based efforts and the reliance on data about these practices may encourage more of a green halo effect rather than promote or study actual substantive land management changes. It is easier to repurpose what you are already doing than to change how you are doing it. This also creates a demand for services for farmers even if they are not proven.
  14. Important need for independent research and examination – If PCI and related sustainability efforts continue to grow then independent disinterested research into the environmental claims and outcomes of private will be needed. This is especially true if PCI come to be seen as alternatives or replacements for public conservation programs with identifiable and measureable outcomes. We need to ground truth the claims and innovate for continuous improvement. Businesses at the top of the supply chains who historically have the most market power appear more interested in promoting themselves as green than in investing in accountability and innovation.
  15. Buyers of farm commodities appear uninterested in traceability - For the buyers of commodities, interest in PCI appears to not be about traceability of the actual crop but instead about performance across a geographic or production region. The

- Unilever model reflects this in the sourcing of soybeans. Identity preservation has intentionally been taken out of the discussion. Buyers want to keep the advantage of purchasing low cost, interchangeable commodities, but they want those commodities to have generic sustainable properties. This should come as no surprise as one of the values of identity preserved crops and products is to increase the value and the return for the producer.
16. Farmer lack confidence in supply chain programs – Our interviews suggest farmers do not have a great deal of confidence in supply chains as a way to improve their financial outcomes. Supply chains create barriers to markets, i.e., how do I get into your game, and are not offering premiums to those involved. Instead the supply chain goal appears to be to sell products and services to farmers in exchange for their ability to continue to market commodities. These two dynamics create and foster skepticism in the minds of farmers.
  17. PCI not developing as systems change - The private approach to creating sustainability is not a systems approach. So far it is commodity by commodity. Without a systems approach we are not going to get a systems benefit.
  18. Role for land grant research important but uncertain – Our research has not identified much in the way of Land Grant University research in this area. This seems to be an important opportunity and if it does not develop may reflect another example of further erosion of public support for research and further consolidation of industry controlling the research agenda.