



**Soil &
Climate
Alliance**

Virtual Roundtable Series

*Regenerative Agriculture
Opportunities for Banks*

Creating Regenerative Opportunity for Ag Lenders

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CREATING REGENERATIVE OPPORTUNITY FOR AG LENDERS



Harley Cross
Land Core



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Maggie Monast
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Bryan Stanek
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“What we can do is ask members on both sides of the aisle to remove regulations and barriers that stand in the way of farmers being innovative.”

-Aria McLauchlan

Key Takeaways

- Education focused on both the **economic and environmental benefits of regenerative agriculture** is critical across the entire supply chain to create **innovative funding models** that work for everyone.
- Farmers are interested in innovative solutions! There is **demand** from the producer-side for loans and funding opportunities with **incentives for regenerative practices and outcomes**.
- In many current markets (i.e., carbon and ecosystem service), the average producer is seeing the **reward after they make an investment**. We must find ways to **put money in farmer’s pockets up-front**.
- **Crop insurance reform** is a major area of opportunity to enable farmer innovation and protect their on-farm investments.

HIGHLIGHTS & INSIGHTS

Harley Cross, Land Core

- The [Land Core Risk Model](#) is a tool to quantify the risk reduction for specific practices so banks can incorporate the benefit of healthy soil into their risk pricing.
- Banks are making the best economic decision for return, so if they can show that a regenerative farm is a lower risk, they'll be willing to give a discount for that.
- Banks can price farmers for the de-risking they've already done through regenerative practices; it's a **win-win for the bank and the farmer**.
- Benchmarking of yield is critical, but we must reframe the question to be focused on yield stability vs. individual annual yield.
- When farmers build on-farm fertility through regenerative practices, they don't have to buy that fertility because they're producing it themselves.
- The soil health and regenerative ag space comes at the conversation from an environmental perspective, but we must also come at this from an economic and national security perspective.

Aria McLauchlan, Land Core


- Land Core developed an [FSA Loan Deferment Program](#) where farmers defer 50% of their annual payment and put those dollars into conservation practices enhancing soil health on-farm.
- This FSA program meets producers where they are and allows farmers to invest back into their operations through a simple deferment (building on FSA's existing discretionary authority to defer loan payments).
- With the Inflation Reduction Act's passage, we must work to maintain those levels of negotiations (\$20b+) in the 2023 Farm Bill.
- We must frame **policymakers as partners and policy changes as voluntary**. We're not creating new environmental regulations or a list of demands but finding common ground where farmers can opt-in to programs and make context-specific decisions that work for them.
- Simple changes to crop insurance will make a big difference like allowing cover crops to grow their fullest potential so we can realize the full potential benefits of this practice, allowing relay cropping, more diversity in operations, and making sure farmers aren't ineligible for the safety net when applying these practices.

Maggie Monast, Environmental Defense Fund

- There are many technology and data gaps in regenerative ag and the banking sector – risks vs. opportunities to finance climate-smart ag.
- Ag lenders are bought in conceptually, but **we don't have the numbers we need yet to guide bankers on their full journey**.
- The [Farm Finance Resource Hub](#) is a great resource for farmer guidance on how regen practices might impact budgets, costs, cost savings, and yield over time.
- Environmental Defense Fund (EDF) is integrating cover crop data for the first time into [FINBIN](#).
- Partners are critical in this work: EDF and Farmers Business Network Pilot Project offers operating loan with rebate to meet simple environmental standards, and EDF and Field to Market put out a [report](#) outlining opportunities for innovative finance mechanisms that are ready to go right now for those across the value chain.
- [Climate Smart Commodity Partnership program](#) will fundamentally re-shape who is doing what in this space and have a huge impact on the 2023 Farm Bill.

Bryan Stanek, Compeer Financial

- [Compeer Financial](#) is a member-owned, Farm Credit cooperative serving and supporting agriculture/rural communities representing 40% of all ag lending in the US.
- Consumer demand drives agriculture production; there must be a buyer at the end of that spectrum.
- Lenders as a whole look to get a return on capital, so funding that can be traced back to some effort is important in connecting the dots.
- Everything starts with education – what can we do with accurate information? how can we get that information out into the market?
- Over the next few years, we'll be paying farmers for regenerative practices, but how do we backpay farmers who have been doing this?
- Ag lenders can conform around any commodity, but farmers need an economic incentive to make the change.
- **We are not looking for further regulations on farmers**. These promote another barrier of entry; every time you put out a regulation, there is a cost associated.
- Crop insurance is an opportunity, but it can only incentive practice changes, economy is what changes direction.
- As part of the Inflation Reduction Act, we will see a new Green Bank which is promising for the coordination what we're focusing on here.



“Every single part of the system – including finance – has a role to play in shifting the system, but no one part of the system can do it all.”

-Maggie Monast

CREATING REGENERATIVE OPPORTUNITY FOR AG LENDERS

areas of opportunity

Educate Food Companies on how to Build Resilient Supply Chains

Educate Ag Lenders on the Benefits of Regenerative Practices

Fill Data and Technology Gaps on Regenerative Practices to De-Risk Loans and Insurance

Reform Crop Insurance – Removing Barriers for Farmers

Reward Farmers Outside of Additionality-Focused Markets for Regenerative Practices

Highlight Public Lenders as an Area of Opportunity for Policymakers

Create Innovative Financing Proposals to Build on Existing Programs (i.e., FSA Loan Deferment Program)

Pay Farmers Producing Environmental Benefits Through Regenerative Practices and Backpay Those Who Have Been for Years

Determine What Data Looks Like on the Climate Risk Side and the Banks' Opportunity Side

Provide Robust, Free Technical Assistance for Farmers Transitioning Acres to Regenerative

“It’s not as much about the lending structure as it is the end economic gain for the client.”

-Bryan Stanek