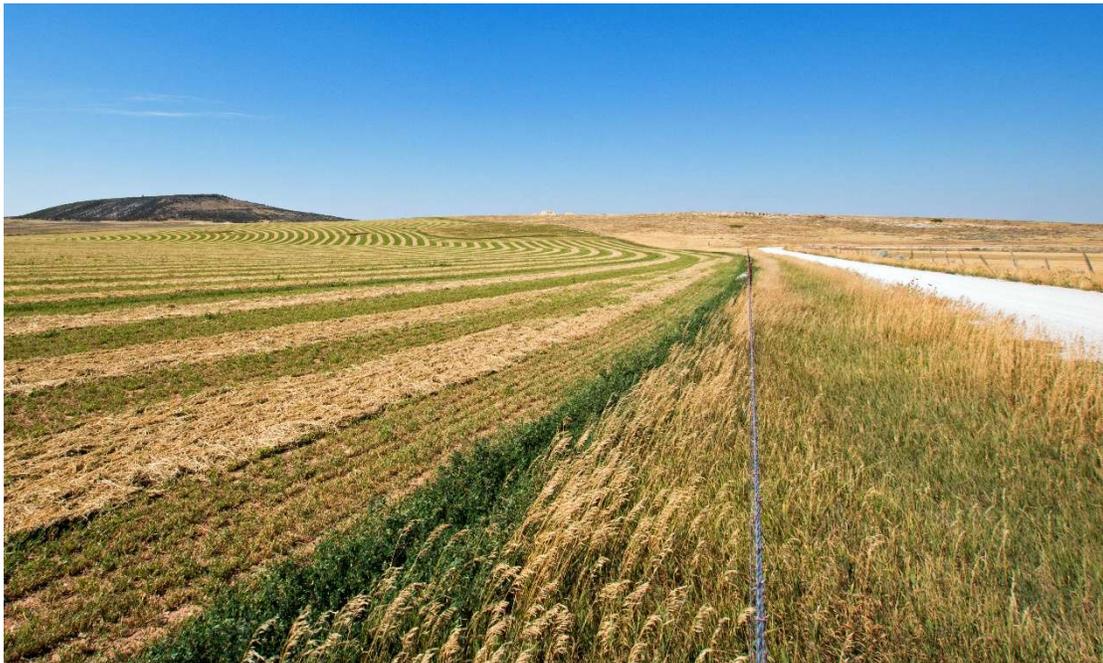


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Considering Carbon Credits? Key Questions for Montana Farmers and Ranchers

Farmers, ranchers, and foresters across Montana and the US are exploring a potential new stream of revenue: carbon credit markets. In a carbon credit market, farmers, ranchers, and foresters commit to conservation practices that increase carbon storage or reduce emissions from their land. In exchange, people and organizations that want to meet more ambitious carbon footprint goals than they can meet on their own pay the landowners for these benefits. These contracts flow through intermediaries who enter contracts with landowners, verify the carbon stored, and sell the credits to buyers. These markets are expanding rapidly, with the broader U.S. carbon credit market projected to grow from roughly \$107 billion in 2022 to over \$320 billion by 2030.¹

¹ <https://www.marketsanddata.com/industry-reports/united-states-carbon-credit-market>

These programs provide a way to monetize conservation practices landowners may already be using or get paid for adopting new ones, but not every program in this new and mostly unregulated market is equally suited to every operation. When considering a program, it's worth stepping back and asking a few key questions: Do I qualify? If I do, which program best fits the economics and risk profile of my operation? If I enroll, what obligations am I taking on? This post walks through the core issues Montana farmers, ranchers, and foresters should consider before enrolling in a private carbon credit program.

Eligibility: Providers typically screen applicants based on geography, acreage, and operational characteristics. Many programs require minimum acreage thresholds, often more than 500 acres, or limit enrollment to certain regions. Most also require several years of field-level data to establish a baseline against which carbon gains will be measured. Different programs work with different suites of conservation practices, with cover crops, reduced tillage, and rotational grazing being particularly common. Some programs will not accept participants who are currently or who have previously used the target conservation practice, or who have enrolled in other carbon contracts or environmental programs. Before comparing potential payments, confirm that your operation meets these requirements.

Payment structures: Programs vary widely in how much they pay, when they pay it, and how they determine the payment amount. Broadly, payments can be divided into two groups: practice-based and outcome-based payments. Practice-based programs typically offer flat, per-acre payments tied to adopting specific conservation practices. These arrangements provide relatively predictable income because compensation is based purely on whether you used the practice you said you'd use. The tradeoff, however, is that payment rates are often lower.

Outcome-based programs operate differently. These programs pay participants based on their actual carbon storage as measured and verified. Many buyers consider these credits to be higher-quality, so in strong years payments can be higher. However, returns are more variable, influenced by weather conditions, measurement results, and carbon credit prices. Payment timing also differs: some programs front-load a portion of funds to support cash flow, while others distribute payments only after multi-year verification cycles. Before enrolling, producers should have a realistic estimate of how much carbon their soils or grazing systems are likely to store and consider whether they prefer predictable practice-based payments or potentially higher (but less certain) outcome-based returns.

Contract Duration: Carbon programs are contracts, and commitment length varies considerably. Some agreements run for one to five years, while others extend for a decade or more. Longer contracts may provide income stability, but limit management flexibility if markets or management goals change.

The Fine Print: Programs need to monitor and verify that the contract, which requires sharing data with these programs. You can check the privacy terms to be sure that you're comfortable with what they're using the data for and how they can share it. Some programs require use of specific digital platforms or reporting systems, which can involve subscription fees, time spent learning new software, and ongoing data obligations. Some carbon credit programs are tied to agricultural input companies, and may require participants to use that

company's products. Also, most programs prohibit participating in multiple carbon credit programs at the same time.

There is no single "best" carbon program for Montana producers—only the program that best fits your operation. The right choice depends on whether you qualify, how much uncertainty you are willing to accept, and what management changes you are prepared to implement. Factors such as contract length, flexibility, data requirements, and restrictions on participating in other environmental programs all shape the true value of participation. Carbon markets may offer new revenue opportunities, but the decision to enroll should ultimately reflect your farm or ranch's specific goals and constraints.