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THE GREEN IN THE GROUND: HOW FINANCE IS FUELING SUSTAINABLE FARMING

In the rolling fields of the American heartland, a quiet transformation is underway – one that starts not with the soil, but with the farm loan.

For decades, **the decision to adopt regenerative practices like cover cropping, reduced tillage and nutrient efficiency has fallen squarely on farmers' shoulders. While the benefits of sustainable farming solutions are clear – healthier soil, better yields and lower emissions – the initial costs can be a tough pill to swallow.**

"When we're talking about regenerative agriculture, a lot of these practices can help farmers become more resilient and more profitable in the long run," says Maggie Monast, senior director of climate-smart agriculture at Environmental Defense Fund (EDF). "But there's often a shorter-term transition that can be hard for the farmer to overcome on their own. That's why we're trying to build the inherent value of regenerative agriculture into the way that financing works."

Monast leads EDF's work with agricultural lenders and finance institutions, aiming to bridge the gap between sustainable practice adoption and farm economics.

In recent years, that mission has taken shape through two groundbreaking initiatives that put farmers – and the environment – on stronger footing.

The first is the Regenerative Agriculture Financing Program, a collaboration with Farmers Business Network (FBN). The concept is simple but powerful: **Reward farmers financially for adopting regenerative practices that improve soil health and reduce nitrogen fertilizer runoff.**

"Farmers who meet performance standards for soil health and nitrogen efficiency receive a half-point rebate on the interest rate of their loans," says Monast. "It's the first loan of its kind in the U.S. to directly link sustainability with financial rewards for farmers in this way."

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The response was swift. When the $25 million pilot launched in 2022, it sold out within weeks. Farmers in 18 states, from Georgia to North Dakota, enrolled. The program's appeal cut across geography and farm size, signaling a broad appetite for financing tied to sustainable practices.

According to Monast, embedding rewards for sustainability in financing is a win-win-win. It helps farmers overcome initial hurdles to more sustainable agriculture, builds more resilient farms and makes farmers better borrowers, while promoting the health of natural ecosystems, economies and communities. Because lenders and farmers already have trusting relationships, they can work together effectively to produce positive outcomes.

"Farmers rely on ag lenders to finance their land, equipment and annual operating expenses," says Monast. "Those lenders tend to be some of farmers' closest financial partners and most trusted advisors."

EDF's second major initiative, a sustainability-linked loan with CoBank and Heartland Co-op, shows how lenders can incentivize sustainability at scale.

CoBank is the largest member of the Farm Credit System, which provides nearly half of all U.S. agricultural credit. It financed Heartland Co-op with a loan that reduces interest rates if the co-op hits specific environmental targets. These include nature-based solutions such as expanding cover crop adoption, implementing water quality solutions like bioreactors and increasing farmer engagement.

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Heartland, which buys grain from farmers and sells them supplies, has a conservation agronomy program that puts boots on the ground to support farmers in adopting sustainable practices.

The CoBank-Heartland loan is especially significant because of its scale. For Heartland's line of credit, even a small interest rate reduction translates into big savings and a powerful incentive to deliver on sustainability goals.

Ultimately, the plan is to create a shift towards holistic solutions that make it easier for farmers to access the financing they need to adopt new practices.

"The status quo is very ad hoc and reactive," says Monast. "If the farmer can figure out how to make the economics work, great – the lender will find a way to help them do it. But we've been working to help lenders think about this strategically, and be more proactive in offering products to farmers that can help them through the transition."

Rather than cobbling together multiple sources of funding, farmers can come to their lenders for an integrated approach delivered by institutions they already know and trust.

"We're moving from individual farmers piecing together different and frequently incompatible sources of funding and finance, to a holistic package that is delivered through their existing business relationships," says Monast. "That's the huge value-add of this."