AgraGate
climate credits corporation

Presentation to the CFTC Agricultural Advisory Committee
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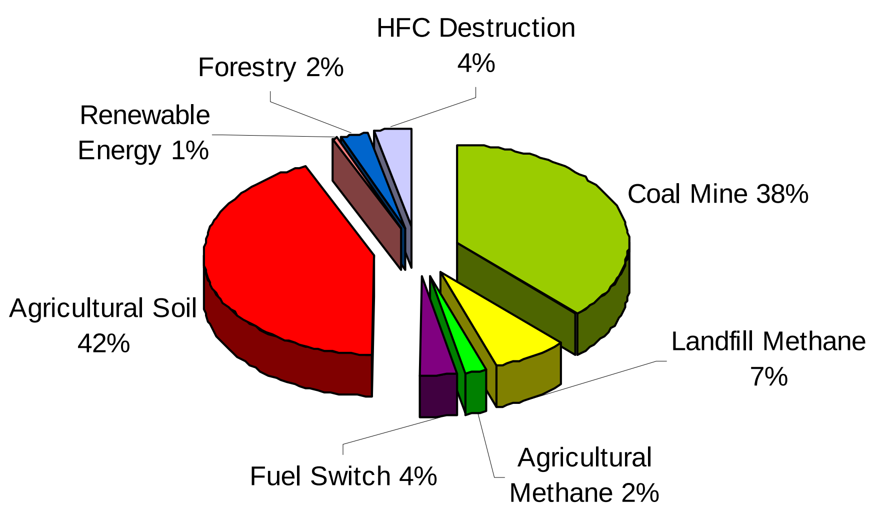
AgraGate Climate Credits Corp. was created to deliver carbon credit aggregation services to American farmers, ranchers and private forest owners. AgraGate expanded the Iowa Farm Bureau Federation (IFBF) Carbon Credit Aggregation Program, which began in 2003. With more than 1,300,000 acres aggregated from American farmers, ranchers and private forest owners in 25 states[i], AgraGate is the nation's leading supplier of carbon credit aggregation services to agriculture. The company is a wholly owned subsidiary of the IFBF.

In a nutshell, AgraGate is the "country elevator" of the carbon credits marketplace. AgraGate combines carbon credits from agricultural offset projects initiated by American farmers, ranchers and private forest owners, creating pools of credits verified by a third party and offered for sale on the Chicago Climate Exchange (CCX)[ii]. Electric power generators, manufacturing companies and state and local governments are among the purchasers of carbon credits. For more information, visit the exchange web site at www.chicagoclimatex.com.

The contract that AgraGate uses has two primary elements. The first part of the contract authorizes AgraGate to include the potential offset project in one of AgraGate's pools and to register the carbon credits under the protocol and rules of the Chicago Climate Exchange. The second part of the contract addresses the transfer of carbon credits to AgraGate and sets forth the terms and conditions for sales of such credits. It can best be described as a delayed price contract with specified terms for physical delivery. In compliance with the rules of the CCX, twenty percent of each year's credits are held in reserve until the end of the contract period. Once the contract period is completed, the reserve credits are released and eligible for sale.

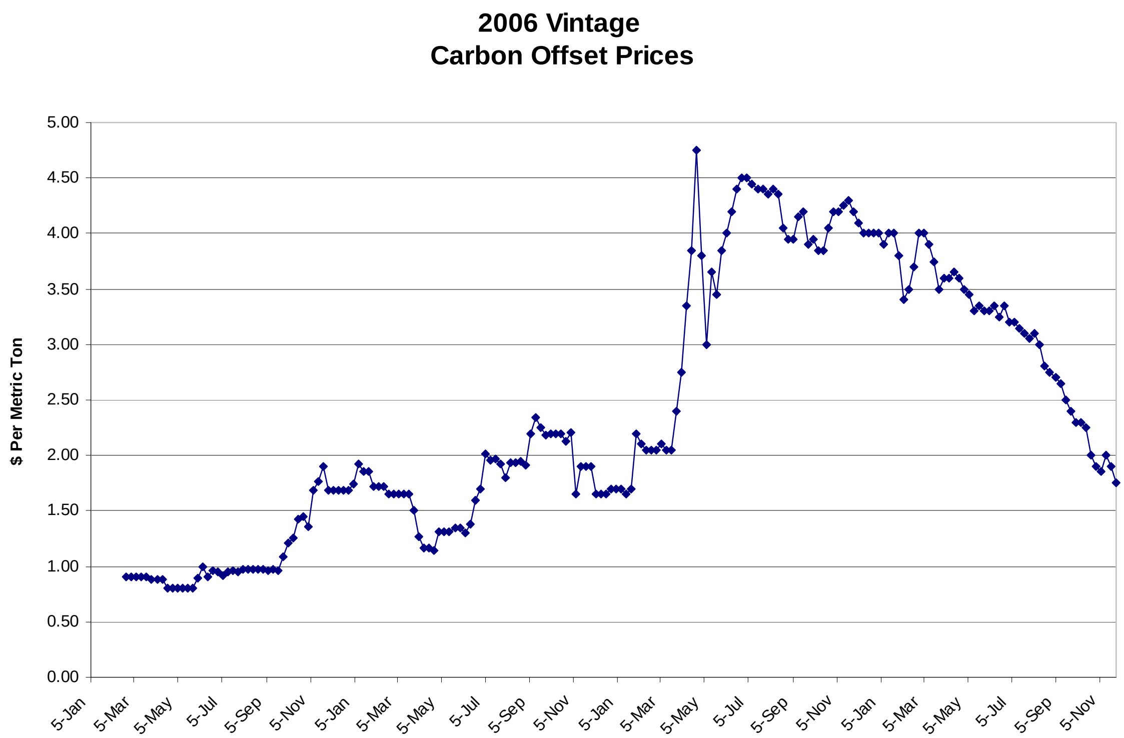
The typical soil, forestry or rangeland contract requires compliance with the terms of the contract for a multi-year period which is usually a minimum of five years. Participants who fail to maintain compliance can be subject to recovery of credits that were previously issued, although credit recovery for forestry and rangeland projects is limited to the amount in the reserve if the noncompliance is due to weather or other natural disasters beyond the control of the project owner.

The carbon market continues to expand. From the original 20 or so founding members, the Chicago Climate Exchange has grown to more than 380 members. Agriculture's role has also grown since the initiation of the Exchange. There are now a number of aggregators providing services to farmers, ranchers and foresters across the country. The total number of offsets registered on the exchange is now greater than 18 million. Agriculture has provided nearly half of these offsets. The following graph illustrates the breakdown of credits by source as of September 2007.



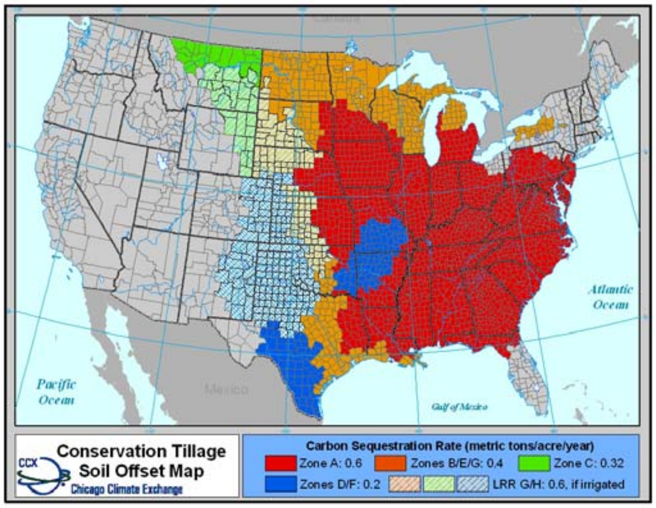
Simply having a greenhouse gas emission reduction does not necessarily mean that someone will be granted a carbon credit. An individual with an emission reduction must go through the following steps to turn a qualified emission reduction into a carbon financial instrument. The project must undergo an eligibility assessment, protocol compliance, monitoring, verification, reporting and registration. After completing all these steps, the project may be registered on the CCX and be issued carbon financial instruments. These instruments become the vehicle for trading on the exchange. As a CCX-registered aggregator, we take projects from entities that are too small to deal directly with the exchange through this process.

The market for carbon credits trades daily. The carbon financial instruments are registered by the year in which the emission reduction takes place. This is called the “vintage” of the credit. Earlier vintage credits can be delivered against sales of later vintage credits. Bids and offers are placed on the electronic exchange platform of the exchange. The following graph shows prices for the 2006 vintage credits for the past 4 years.

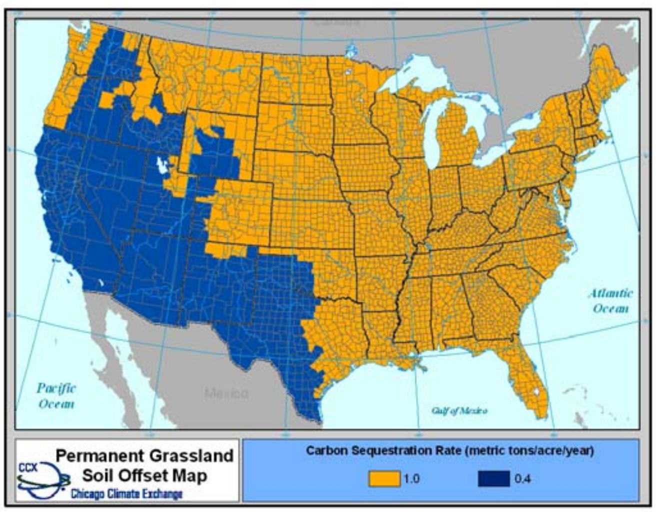


The carbon market responds to supply and demand pressures similar to other commodity markets. In this case, the demand is the need that members of the CCX have for excess allowances of other members or for offsets. The supply side is determined by the amount of excess emission reductions by exchange members and offsets provided by qualified projects and exchange-registered aggregators. In recent months, daily trading volume on the exchange has been increasing.

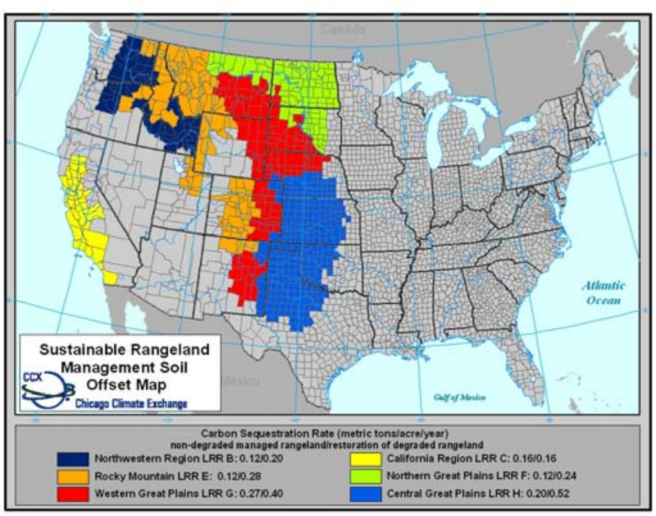
In conclusion, it is my opinion that the voluntary carbon market is functioning well. I believe that a voluntary market will continue to grow as federal and state legislators debate the merits of various emission reduction programs and develop the mechanisms by which emission reductions will be traded.



Atlantic Ocean
Pacific Ocean
Mexico
Gulf of Mexico
Conservation Tillage Soil Offset Map
CCX
Chicago Climate Exchange
Carbon Sequestration Rate (metric tons/acre/year)
Zone A: 0.6
Zones B/E/G: 0.4
Zone C: 0.32
Zones D/F: 0.2
LRR G/H: 0.6, if irrigated



Atlantic Ocean
Pacific Ocean
Mexico
Gulf of Mexico
Permanent Grassland Soil Offset Map
CCX
Chicago Climate Exchange
Carbon Sequestration Rate (metric tons/acre/year)
1.0
0.4



Atlantic Ocean
Gulf of Mexico
Sustainable Rangeland Management Soil Offset Map
CCX
Chicago Climate Exchange
Carbon Sequestration Rate (metric tons/acre/year)
non-degraded managed rangeland/restoration of degraded rangeland
Northwestern Region LRR B: 0.12/0.20
Rocky Mountain LRR E: 0.12/0.28
Western Great Plains LRR G: 0.27/0.40
California Region LRR C: 0.16/0.16
Northern Great Plains LRR F: 0.12/0.24
Central Great Plains LRR H: 0.20/0.52

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[i] AgraGate currently has greenhouse gas offset projects enrolled from the following states: Alabama, Arkansas, Colorado, Florida, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Mississippi, Missouri, Montana, Nebraska, North Dakota, Ohio, Oklahoma, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas and Wisconsin.

[ii] The CCX is a greenhouse gas emission reduction and trading pilot program for emission sources and offset projects in the United States and for offset projects in Brazil. CCX members have made voluntary, legally binding commitments to reduce their emissions of greenhouse gases by 6 percent below their 1998-2001 baselines by 2010. They can meet their compliance commitments in three ways: by internal emission reductions; by purchasing credits from other CCX members who have exceeded their required reductions; or by purchasing offsets such as those aggregated from agricultural and other sources. Purchased offsets cannot be used for more than 50 percent of a CCX member's reduction commitment.