UNDERSTANDING ACCOUNTING METHODS FOR

ALLOCATING VOLUMES AND ASSOCIATED IMPACT

When designing your project, it is essential that all project sponsors and partners agree upfront on which accounting system will be utilized to track and allocate product volumes and associated impact for sustainability claims.

For projects seeking to make sustainability claims related to the volume of ingredients or raw materials that is procured through a supply chain, Field to Market has enabled two accounting methods for calculating and tracking product volumes and associated impact: Volume Proxy and Mass Balance.

Use this guide to learn more about the two supply chain accounting methods and identify which system is most appropriate for your project's desired sustainability claims.

Crafting Credible Claims

To make a claim regarding your project, please submit a Claims Approval Form via Field to Market's Member Portal and allow for 3 to 5 business days for review.

1 Volume Proxy

In this method, a project keeps track of annual enrolled acres, and converts these acres into "proxy volumes" by multiplying the number of enrolled acres by growers' yields. These proxy volumes are calculated by the project, and these volumes would be the basis for any aggregate metric information and reporting.

These volumes are "impact traceable" but are not physically traceable at any stage. Volume proxy offers participating growers maximum flexibility to whom they market and sell their grain, while still enabling downstream customers to track and measure efforts to improve sustainability impacts within their supply shed.

Understanding Volume Proxy Claims

Claims made under this method allows for sourcing of equivalent volumes of sustainability attributes regardless of where farmer ultimately sells the commodity. This method enables farmer to maintain flexibility through freedom to sell a commodity to any aggregator, since tracking is based on volume produced, creating an efficient and flexible approach to improving sustainability of supply chains.

- *Our company supports more sustainable corn production for a volume equal to 100% of the corn we purchase.*

2 Mass Balance

In this method, a project accounts for the amount of physical product that is delivered to a first aggregation point by the growers who are enrolled in the Continuous Improvement Project. Claims made under this method have a tie between the claim and the volumes that have been delivered to a designated aggregator, allowing for messages around how a company's actual supply chain is supporting sustainability improvements for an equivalent volume of ingredients sourced. Projects cannot account for volumes that are not delivered to the designated aggregator. Physical traceability is lost at the point of aggregation.

Understanding Mass Balance Claims

Claims made under this method allows for sourcing of equivalent volumes of sustainability attributes directly into a company's supply chain. By tracking volumes at first point of delivery, you can message around supporting sustainability improvements for farmers within your supply chain.

- *Our company supports more sustainable corn production for a volume equal to the amount we source, contributing improvements to a vital supply shed.*

Comparison of Volume Proxy and Mass Balance Accounting

	Volume Proxy	Mass Balance
Description	• Project accounts for the volumes that are produced by the enrolled growers and acres	• Project accounts for the volumes that are delivered by the enrolled growers and acres to a designated aggregation point
Volume Tracking	• Track enrolled volumes grown by participating growers	• Track enrolled volumes grown by participating growers • Track volumes delivered by participating growers to a aggregation point • Volumes accounted for cannot exceed enrolled production volumes
Implications for Growers	• Growers can sell product wherever they choose	• Growers sell product to designated aggregator
Implications for Projects	• Projects can account for product regardless of where it is delivered	• Projects can only account for product that is delivered to the designated aggregation point • Accounting systems must track volumes delivered by each participating grower • Incentives may need to be designed to ensure that the required volumes are delivered
Possible Description (illustrative)	• Given our commitment to sustainable agriculture, we supported more sustainable production of corn across 20,000 acres, which is equivalent to 50% of the corn we sourced in 2018.	• Given our commitment to sustainable agriculture, we partnered with our supplier to source an equivalent volume of 100% corn we purchase directly from farmers committed to more sustainable production