First Farming on XRPL

Farming is the process in which you earn passive income to your XRPL wallet by providing your tokens to AMM pools as liquidity. This practice helps attract users to the token and contributes to the development of the project.

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1. What is Farming 🌾 and how it works?

Farming has long been a common practice on other blockchains. This tool provides benefits to both the user and the token. The token gains a large amount of liquidity, for which users receive rewards. They also continue to earn fees from exchanges through AMM pools.

AMM in XRPL has only recently emerged, so Farming here is something new and unusual, but just as useful.

One of the issues with AMM in XRPL is the very low income from fees. At the time of writing (April 29, 2024), there are over 4 million XRP locked in AMM pools, but daily fees are around 1000 XRP. AMM pools are unprofitable, so interest in them is waning, and less new liquidity is coming in. Farming is intended to change this. The emergence of high-income pools should increase user interest in AMM.

Sounds interesting, but how do I become a farmer 🤔?

Becoming a farmer and starting receiving passive rewards is very simple. All you need to do is add liquidity to one of the AMM pools listed on the farming page. In return, you will receive LP tokens. Your reward depends on the size of your LP tokens share of the total issuance.

For example, the daily reward for all liquidity providers in the MAG pool is 1 MAG. If you own 10% of all LP tokens, your reward will be 0.1 MAG.

2. Benefits for farmers 👨‍🌾.

All liquidity providers in AMM pools, for which farming pools exist, automatically become farmers (if they are Magnetic users).

In addition to the fees for providing liquidity, they will receive additional rewards (which can be tens of times higher than rewards for fees).

Great, what else should I know 🧐?

1. Reward distribution takes place from 15 to 16 UTC.

2. Magnetic NFT and token trading volume give you an additional boost that increases the % of your LP token holdings.

3. You can find your statistics on the specific pool page. Total profit over time, trading volume, your boost, your LP token holdings.

4. Additional rewards for MAG farmers. On average, about 10% of rewards from each pool are distributed among MAG farmers.

5. Farmers receive a reward that can be tens of times higher than the reward for providing liquidity in other AMM pools.

3. Benefits for the project/token 🤝.

Farming pools with properly calculated rewards bring many benefits to the project or token.

1. Many new users learn about the token and project and start showing interest in them.

2. Users begin to add a lot of liquidity to the AMM pool, making the token price stable, minimizing the spread, and allowing for adequate trading.

3. Farmers trade the token to increase their reward, which also benefits the token. The token becomes more active and attracts more users.

4. The distribution of allocated tokens is very organic and correct. Tokens are not received by hundreds of bots, as often happens with Airdrops, but are distributed among investors according to their contribution to the token/project.

5. Additional rewards for MAG Farmers will attract wealthy MAG investors, which will also contribute to the development of the token/project.

You can always view farmer statistics on the main farming page. There is also information about the total number of farmers, their trading volume, daily reward, and statistics for each farming pool.

4. How to increase rewards 📈 and where does the reward fund come from?

The reward pool is allocated by the project that wants to create a farming pool for its token. All rewards are sent in advance to the Magnetic wallet and will be distributed among all farmers.

Rewards in the farming pool can run out. Usually, the end date of the pool is known in advance, as the daily reward is consistent.

Rewards are sent to all farmers every day from 15 to 16 UTC.

You can increase your reward without adding additional liquidity to the AMM pool. This can be done by using Magnetic NFT or having daily trading volume. Each NFT will artificially increase your LP token hold by a few percent (depending on rarity). The rarest NFT in your wallet will work at 100%, while the others will provide 25% of their power. Trading volume works similarly - the more volume you have, the higher your boost will be.

For example, with a volume of 25 XRP, you get +6% to your LP token hold. For 100 XRP: +10%, and so on.

This way, you can earn rewards for a larger number of LP tokens than you actually have

Additionally, all MAG farmers receive additional rewards from all other farming pools. This is usually 10% of the total reward amount, which is shared among all MAG farmers.