

# Investing in Regenerative Agriculture: Shaping a Livable Future

Summer 2023 | Project Report | Josh Cavanaugh + [Larklea](#)

## Overview

Regenerative agriculture and regional food systems lead to healthier soil, greater climate resilience, vital rural communities, and numerous ecosystem services. These outcomes often represent long term appreciation in value rather than near term cash flow. Lack of cash flow presents a barrier: despite being widely recognized as social equity and natural climate solutions, regenerative agricultural practices, and regional food systems, businesses that support them are often faced with funding instability, mismatched values or investment horizons, and general difficulty in securing capital. However, as the value of ecosystem services, climate resilience, healthy food, and rural community livelihoods are increasingly recognized by investors, markets, and policymakers, regenerative agricultural practices and equitable food systems can create outsized value.

Through 25 interviews with practitioners to understand capital needs and constraints, and with values-aligned investors to understand interest, decision-making factors, and any present barriers to engagement, this report sought to identify the most pressing needs in the regenerative agricultural space. These discussions have underscored the pressing need for targeted initiatives aimed at dismantling systemic obstacles that hinder the advancement of regenerative food systems. By delving into capital needs, constraints, interests, decision-making factors, and engagement barriers, the interviews have garnered valuable insights that form the foundation for developing actionable solutions to drive the sector forward. The three most pressing needs identified by interviews are: supply chain services, land access and transition financing, and housing and labor access.

## Opportunities for Investment

The interviews highlighted opportunities for investment on the market, and below market rate, and at the philanthropic level. Underscored below are engagements that interviewees identified across each issue area, in addition to recommendations for future projects that tackle the systemic barriers in the system.

The present lack of Supply Chain Services for regenerative agricultural farmers results from consolidation of those services by large corporate entities. By enhancing and diversifying supply chain services, disruptions are minimized and collaboration among stakeholders can happen more efficiently, particularly by bolstering the local and regional level systems. Acknowledging the necessary transition from international to regional priorities, while still learning from the efficiencies of globalization, a diversified approach prevails. Investable opportunities emerge in community processing and multi-faceted services that generate growth through value-added services like processing, branding, and distribution. Providing regenerative farmers a place to sell or process their now numerous products resulting from the shift from monocropping to multi-cropping is essential to delivering necessary benefits back to the farmer. In the philanthropic category, engagements with



food hubs that aggregate locally grown produce to provide to schools and other community institutions healthy produce provides another avenue to market for producers.

LOCAL: Place-based engagements like CAE, Food Connects, Vermont Way Foods, and Myers Produce benefit regenerative supply chain development by aggregating small farmers' produce to process, store, and distribute products to the local community.

NATIONAL: Terra Regenerative Capital aims to make targeted investments in the missing middle supply chain to scale regenerative agriculture solutions.

PHILANTHROPIC: Food Hubs, Donor Advised Funds aimed at specific services, structured as patient or performance-based debt provide necessary flexibility for supply chain services.

Providing farmers Land Access and Transition Financing empowers them to embrace sustainable practices with the space to experiment and grow. Innovative financing models can play a pivotal role in facilitating this transition, often capitalizing on value-added certifications like organic. Investable products that benefit from the value-added organic certification allow for returns that capitalize on the product in addition to the appreciation of held land. At the concessionary level, stewardship programs can provide access to historically underrepresented farmers. Importantly, capital for access and transition needs to be flexible to accommodate the challenges of shifting to regenerative agriculture, and localized to reverse the historical trends of "go big or get out" that created the problems with the consolidated system today.

MARKET RATE ENGAGEMENT: Mad Capital, Perennial Fund, Dirt Capital, SLM Partners, and Farmland LP. Federally Qualified Opportunity Zones - like those run by CrannMor Advisors can provide competitive returns while delivering tax incentives for large capital gains. Real Estate Investment Trusts - like Iroquois Valley Farmland REIT can provide value from organic transition and land appreciation.

PHILANTHROPIC: Donor Advised Funds and foundations can provide first-loss capital or forgivable loans to land-based projects that enable the flow of other investments.

Housing and Labor Access poses a significant challenge to unlocking the regenerative agricultural system as a lack of equitable access to housing and fair compensation for farmers perpetuate historic barriers. Central to this is the notion that thriving local farmers are at the heart of a sustainable food system. Collaborative efforts, such as joint housing projects between farms, create shared living spaces which foster a sense of community while reducing costs. Projects of this nature often happen at the local level, as labor needs are diverse across different regions. In a similar fashion to creating a community housing engagement, shared labor across farms can foster efficiency and boost income. Beyond that, providing upskilling programs promise to provide more consistent work, enhancing the livelihoods of farmers and promoting the long-term viability of regenerative practices. These engagements resonate with the conscientious shift towards a more localized housing and labor system.

MARKET RATE ENGAGEMENT: Housing opportunities for rural communities are limited due to profitability considerations making rural housing heavily subsidized by government programs - like the USDA Rural Development program. For labor access, programs like Milk with Dignity led by Migrant Justice deliver benefits to dairy workers by aggregating produce from farms to sell to values-aligned companies, in this case, Ben & Jerry's.



PHILANTHROPIC: Donor Advised Funds and other philanthropic engagements can involve engagements with government as well, shifting dollars towards lobbying efforts and providing first-loss capital can fundamentally shift sentiment and available opportunities.

## Final Thoughts

Engaging with regenerative projects involves addressing a spectrum of challenges beyond those identified above, which underscore the layered considerations imperative to a project's success. These include dismantling consolidation perpetuated by corporate entities that have marginalized smaller stakeholders; a shift from scale to replicability to counter centralized systems; the relationship between nature and technology solutions for effective and enduring change; the ripple effect of farmer and consumer behaviors in reshaping production paradigms; and the time-sensitive need to address soil degradation to foster resilience in our food system. Navigating these challenges demands a holistic approach to ensure the sustained success of regenerative initiatives that intentionally work against historic barriers for farmers and rural communities.

## Thank you

Thank you to all the participants who provided invaluable insight, experience, and guidance that led to the conclusions in this report: Bio-Logical Capital, Bread & Butter Farm, Calvert Impact, Center for an Agricultural Economy, CrannMor Advisors, Dirt Capital Partners, Dixon Water Foundation, Food Connects, Food:Land:Opportunity, FORA Initiative, Fresh Source Capital, ImpactAssets, Iroquois Valley Farmland REIT, Kiss the Ground, Mad Capital, Meraki Impact, No Regrets Initiative, Sustainable Agriculture and Food Systems Funders, Sitari Capital, The Nest Family Office, TomKat Ranch Educational Foundation, Toniic, Trailhead Capital and Working Lands Enterprise Initiative.

