



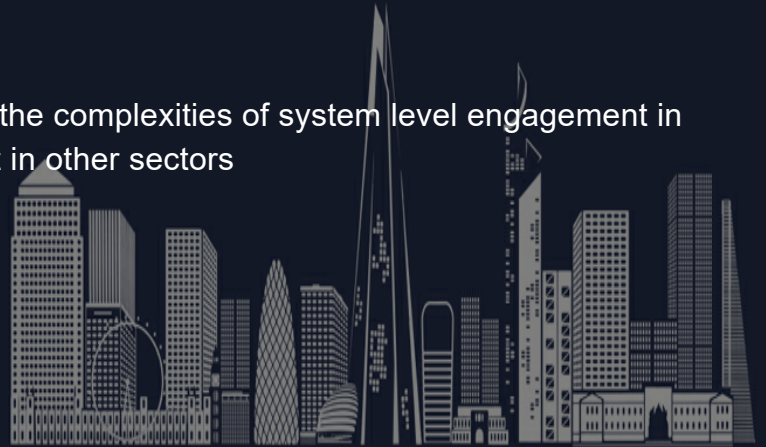
News

Food Glorious Food

Regnan researchers in Australia have examined the complexities of system level engagement in agriculture, offering a framework for engagement in other sectors



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The expansion of agriculture and food production to meet the requirements of a growing global population, presents one of the most pressing sustainability challenges over the coming 30 years. Dominant agricultural methods contribute to environmental and social issues that pose risks to return on investments, including through land clearing, chemical pollution, overuse of scarce water resources, and loss of biodiversity and critical ecosystems.

As well as facing increased risks from increasing extreme weather from climate change, agriculture can itself be emissions intensive. If left unchanged, the food system alone will produce enough emissions to exceed the global 1.5 degree warming limit. Depleted soil health reduces yields, while the potential to use chemicals to make up the difference is declining. Food is non-negotiable; scarcity implies geopolitical instability. History is clear, there's nothing like hungry populations to start civil unrest. Reliance on current intensive agricultural models alone, then, will exacerbate ecological loads, present increasing challenges for farmers, and contribute to geopolitical risks.

Based on Regnan's research, structural shifts towards a more regenerative food system are required. How food is grown, the types of food produced, and how the vast quantities of waste generated by agricultural and food production systems are dealt with, must be reconsidered and reimaged. A transition to more regenerative practices creates opportunities to produce more food, but in ways that are socially, ecologically and economically sustainable. Yet the complex nature of this challenge raises significant barriers for individual companies seeking to make these changes alone. Companies often face limitations on what they are able to themselves do unless other actors move. Agricultural companies can be reliant on supermarkets' willingness to change their specifications, for example with

respect to the look and size of fresh fruit and vegetables, in order to reduce food waste. Investments by supermarkets and manufacturers in the adoption of recyclable packaging and enhanced product labelling can be difficult to implement without common guidelines and infrastructure. Farmers can be discouraged from investing in soil health where these efforts are not reflected in accreditation and labelling or in the valuation of their property relative to their neighbours. Good stewardship in this context involves understanding the disincentives and barriers to action within the system and working to try and remove them.

The size of the value chain for food and agriculture in combination with the complexity of social and environmental issues requires system-wide thinking. A myriad of different players are connected via their supply chains. But these players have not typically structured themselves to solve issues beyond their own corporate borders or first tier suppliers. Here we recognise that effective stewardship goes far beyond simply speaking with individual companies or sectors as the inherent complexities offer limited opportunities for lasting change. Instead, our Regnan research team in Australia and our London-based Impact Solutions team, brought together senior leaders from across the Australian food system value chain, to identify key areas preventing further action and collaboratively exploring how they might be addressed. For instance, recycling food packaging, often a key ingredient in reducing food waste, requires agreements with manufacturers to create items that are capable of being recycled, the infrastructure to collect the refuse, the capability to be able to turn it into something else as well as the existence of a ready market to buy the end output. We can, and should, engage for change at every step along this chain including the potential to create a more consolidated voice of business to support the required public policy changes.

Investors are fundamental and active players in making structural change happen in agriculture. Every step of the value chain has the financial sector embedded. Inaction, on the other hand, exposes the financial sector to huge risks. Climate-caused water scarcity, for example, massively reduces agricultural yields; for a bank with significant exposure to the agribusiness sector that manifests as more foreclosures and stranded assets. Similar issues await an insurer with significant underwriting in the agricultural sector that will find their back books constrained by increased risk. Asset managers with exposed holdings to elements of these value chains risk lower returns.

From farmers to financiers there is a need to engage across the value chain for agriculture and food production in order to affect change and ensure sustainability. Here a systems level approach to engagement has meant bringing all the parties together to unlock opportunities and overcome obstacles. Only by understanding and addressing these interlinkages are we going to bring about the required change.

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