

# Does investment in sustainable farming pay off?

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Exploring the nascent field of sustainable farmland investment, a new report from the Yale Center for Business and the Environment found that innovative investment strategies focused on sustainable agriculture appear to deliver financial, environmental, and social returns.

Though industrial agriculture has long been seen as an efficient method for feeding the world—the United Nations predicts food production will need to increase by 70 percent by 2050—long-term concerns are growing around negative environmental externalities and climate change vulnerability. Sustainable farming has emerged as a potential alternative solution. Authored by two Yale students, this report is an attempt to understand the provenance, strategies, key trends, value drivers, and structural challenges of [investment](#) in [sustainable farming](#). (The authors adhere to the definition of sustainable food systems put forth by the Royal Society.)

Sustainable farming currently offers two primary avenues for returns on investment. First, supporting farming efficiencies and improvements, particularly as they relate to ecosystem function, enhances asset performance. Second, there is growing consumer demand for natural and organic products, which command a price premium. Initial findings indicated that conversion to organic agriculture, water efficiency projects, and raising grass-fed beef were particularly promising investment targets.

The authors also uncovered an array of creative tools that investment

firms are testing in this unexplored market. In the case of leasing, for instance, investment managers are experimenting with new structures, including: rent payments tied to ecological performance, with discounts provided based on soil health; delayed or reduced payments to accommodate the multiyear process of converting from conventional to organic; unusually long leases (up to fifteen years) that incent [land managers](#) toward more forward-looking and sustainable practices. In one case, an investor is consolidating holdings by acre rather than maintaining distinct parcels—a mechanism that allows for critical economies of scale and flexible management schemes that increase soil health.

Investors' and [land managers](#)' willingness to experiment is crucial to determining what methods are successful in delivering market rate returns. The results have so far been very promising, but more needs to be done.

One central challenge for this work is a public policy vacuum around these investment efforts. As the authors note, "Sustainable farming support has a long way to go before it can outweigh the regulatory financial benefits associated with conventional growing practices."

Limited data also made it difficult to generalize conclusions or draw direct relationships between investment activities and their returns.

"Greater effort is needed to make the connection between specific [sustainable farming](#) activities and asset performance," write the authors. Far beyond an academic exercise, fortifying and clarifying these connections through further study would help sustainable farmland investors communicate the value of their efforts and facilitate fundraising for further [investment](#). This would also provide useful decision-making information for existing assets.

**More information:** [cbey.yale.edu/programs-research ... nvestment-strategies](https://cbey.yale.edu/programs-research...investment-strategies)

Provided by Yale University

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