

Business as usual is a non-starter



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Covid-19 revealed the weaknesses of current food systems but also highlighted initiatives which could be transformative

When the Covid-19 pandemic closed down markets, borders, and trucking, it exposed the limitations of global food supply chains. Supply chain disruptions exposed other problems in our food system. Policy-makers and investors launched a new conversation about strengthening access to regional markets for producers, processors and food enterprises, aware of the weaknesses of a food system focused on commodity and export crops. At the same time, academics and activists were highlighting the externalised costs of industrial food production. What these actors often miss is the fact that farmers and their social entrepreneurship allies are already building alternatives based on cooperative models, non-profit ownership, and local consumption models.

These global events and growing understanding illuminate the risks presented by our current food systems. Continuing with business as usual is untenable. The good news is that the transition to a healthy food system is already happening. Farmers, entrepreneurs, non-governmental organisations, and governments are implementing exciting initiatives to increase resilience to external shocks and enhance local control of decision-making, while valuing soils, water, and ecosystems, along with worker and community health. Enterprises are achieving these outcomes at different scales through innovative business models that recognise the value created by farmers and enterprises

producing healthy food in harmony with nature and treating producers and workers fairly.

Enterprises changing food systems

Examples include Educe Cooperativa in Mexico. Through family-based honey production for income alongside the traditional milpa (corn, beans and squash) fields, the region's Indigenous farmers draw social, economic and cultural benefits. Its cooperative structure means that Educe represents the voices and interests of 750 beekeepers in 30 cooperatives. It has secured both organic and Fair Trade certification which facilitates access to working capital and fair prices to member-farmers. The Indigenous communities comprise the general assembly that makes business decisions centred on community well-being, food sovereignty and a vibrant local economy. This worker-owned cooperative has enabled the protection of two million hectares of forest and stemmed out-migration to cities and to the US.

Community Markets for Conservation (COMACO) and its 'It's Wild' food processing company has helped community cooperatives in the Luangwa Valley of Zambia adopt agroforestry and commit to conservation set-asides. The communities - with COMACO - have put an end to wildlife poaching, deforestation and food insecurity. Farmers are reaping many benefits from improving soil health, including access to carbon credit payments. COMACO developed a business model that makes agroecology and nature



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conservation techniques less risky for farmers by ensuring the purchase of surplus crops at fair prices. The model incentivises long-term wildlife, soil and forest conservation. Its emphasis on buying local has increased incomes for 225,929 farmers on 168,800 sustainably managed hectares. Alongside tribal authorities, COMACO reinforces local social and economic structures fostering long-term cultural and community sustainability.

These and other regional enterprises use or encourage holistic food systems approaches to land management to optimise biodiversity and ecological systems and strengthen connections between growers and eaters through diverse markets. They look at the external costs of the food system and address them directly. Through their business models, they contribute to knowledge sharing, regional autonomy,

Above: Beekeepers near Calakmul Campeche, Mexico.

Right: It's Wild sales stand in Zambia.

food sovereignty, and health and well-being of farmers and their communities, decreasing pesticide and chemical fertiliser use, and increasing water quality and biodiversity.

Capital flows to grow a vibrant food sector

As these enterprises demonstrate and as we have learned at the Transformational Investing in Food Systems Initiative (TIFS), creating a business sector that supports a healthy, equitable food system requires a blend of grants, values-aligned finance and non-financial assistance. It also requires donors and investors to shift their focus to food systems based on the seven principles of the Global Alliance for the Future of Food: renewability, resilience, equity, diversity, healthfulness, inclusion, and interconnectedness. Investments may support these principles in many ways, for instance by investing in businesses that promote shared governance and participation of all stakeholders, apply cost-conscious approaches that work within ecosystem boundaries, and create value by investing in training and dignified work. TIFS is building a network of foundations and impact investors and empowering them with holistic assessment tools, information, and partnerships to enable new approaches to investing in food systems.

The leaders who are creating transformative business models defy current financial and market systems. Their experiences show that donors, philanthropists and investors need



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to align their investments with each other and, crucially, with the requirements of enterprises and farmers. This requires the philanthropic sector and impact investors to be more strategic about providing the right type of capital in the right form at the right time. The full range of financial tools – including loan loss funds, long-term patient capital, low or no interest rate capital, combined with technical and business assistance – are required. Investors of different stripes also need to furnish not just financial resources and technical assistance, but also to provide networks, to facilitate community organising, governance and other acts of solidarity to make the case for economic and policy reform.

We must all account for the true value of food through agroecology, regenerative agriculture and new forms of collaboration. Transforming our food systems necessitates the participation and leading role of smallholder farmers, local institutions, communities, Indigenous Peoples and women. Conscious consumers worldwide are demanding healthy and responsibly produced food. Investors and funders need to provide significant long-term patient capital and capacity-building support. Only then can we achieve an equitable net zero and nature-positive food system that can nourish all people with a healthy diet. ●



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Current systems falling far short

Food systems should provide food security and nutrition to a growing global population, provide dignified livelihoods to food producers and workers, and contribute to environmental sustainability. Our systems fall far short of these goals. About two billion people do not have regular access to sufficient and nutritious food and more than that number are overweight or obese. Environmental damage from food production is considerable, as illustrated by 1) Some 80 per cent of threatened terrestrial bird and mammal species are at risk due to habitat loss caused by agricultural expansion, and 2) food production accounts for 21–37 per cent of greenhouse gas emissions.

In 2021, the Scientific Group of the UN Food Systems Summit attempted to estimate the annual costs of environmental, health and economic impacts of food systems. It estimated the true annual cost of food at around \$29 trillion per year (earlier estimates indicated \$12 trillion per year). The current cost of food at current market prices is \$9 trillion per year. The true cost of food is disproportionately high.

According to the Food and Land Use Alliance, if we were to realign public and private capital to avoid negative externalities and pursue positive food system outcomes, the world economy would gain \$5.7 trillion by 2030. This would require annual investments of between \$300 and \$350 billion. The global business opportunity of transforming food systems could be as high as \$4.5 trillion per year by 2030.

Given the size of the global economy and existing financial flows into the food system, these costs are achievable. Recent estimates show annual financial flows into our food systems (agriculture, forestry, and fishing) that include:

- bank loans: \$42 trillion (total stock of outstanding loans)
- impact investments: \$60 billion
- development finance: \$11.1 billion
- government support: \$708 billion

Some portion of stocks and bonds, especially ESG-aligned investments and green and social bonds, could be redirected to investments that support better outcomes for people and the planet.