

CASE STUDY

Return on investment: ESG expectations of productive agriculture

DR ALISON SOUTHWELL

Executive Officer, Holbrook Landcare Network

Holbrook Landcare Network is a not-for-profit community network based in southern NSW, established in 1989. With a membership of over 480, Holbrook Landcare Network supports farmers to achieve environmental care and improved management through the adoption of sustainable and productive agricultural practices and the support of innovation.

Executive Officer Dr Alison Southwell describes the organisation as sitting on a nexus between Natural Resource Management (NRM) and agriculture, managing projects for community benefit and directly supporting farmers as natural capital and biodiversity markets develop.

“We exist for our members; to provide services and keep them across latest research and extension so they can keep progressing in what they do. We’re there to help build resilience in the environment, by supporting the farming communities that work in that environment,” Dr Southwell said.

“Our membership base is a mix of smaller landholders, large livestock producers and corporate scale family farms, who are predominantly producing livestock.”

As a multi-year study that aims to quantify the contribution of different types of natural resources (natural capital) to profitability across thousands of Australian farms, *Farming for the Future* approached Holbrook Landcare Network to participate in the program by collecting data from participating farms.

As Dr Southwell explains, the scope of their involvement ended up being much greater because of the skills and expertise that her team could contribute, and the value they saw in the program.

“We have also been involved in the imputation of the data, and acted as a sounding board with feedback to make sure the outputs of the program are going to be farmer-friendly. As an organisation, it’s important we are across information for the benefit of our members. I also see our participation as a way for us to be at the forefront of natural capital assessments so we can be in a position to ‘influence up’ and make sure systems and markets develop in a way that is farmer focused.”

This is particularly pertinent given Dr Southwell’s prediction that the grants-based funding model, which has previously funded organisations like Landcare, will be replaced by market-based implements designed to encourage revegetation and regeneration on private land. The result will be the need to provide services for landholders to enable them to participate in a way that benefits their business and meets environmental objectives. For this reason, Dr Southwell is determined that Holbrook Landcare Network develop a high level of literacy in the space to take back to farmers and advocate for improved outcomes.

“Farmers have always identified the intrinsic value of natural capital on farms, but that value varies from farm-to-farm. As an organisation, we encourage farmers to consider natural assets as part of farm management,” Dr Southwell said.

“*Farming for the Future* is trying to quantify the quality of natural assets on a farm and the relationship of these assets with productivity and profitability. We witness good farmers being profitable and managing natural assets well all the time. We also see farmers with high profitability and low natural capital, and vice versa. What’s going to be really interesting is if, in the future, *Farming for the Future* can establish more than a correlation between natural capital and productivity/profitability, if they identify the causation of this link.”

A mechanism for benchmarking natural capital, that supports decision making, is cost effective and sets standards or universally accepted measures for the industry would be the dream outcome for NRM organisations such as Holbrook Landcare Network. Tools that are useful not just at farm level, but provide scalability for regional use by supply chains, financiers and commercial organisations with financial interests, would be a great enabler for the agricultural industry.

The experience of Holbrook Landcare Network aligns with the hypothesis of *Farming for the Future* that a connection exists between natural capital, farm business productivity, and profitability.

“Generally, farmers who value and manage their natural assets well tend to be more profitable and sustainable in the long run. While the precise causation might be complex and varied, the observation of well-managed natural capital assets contributing to profitability is evident.”

“The importance of articulating the return on investment for managing natural capital assets is critical to appropriately value environmental efforts ensuring effective resource allocation. The extent of the influence of this on decision-making in the agricultural sector is yet to be seen.”

The ultimate outcome for Dr Southwell would see *Farming for the Future* lead a significant cultural shift where natural capital becomes an integral part of farm management, recognising and valuing natural assets as part of overall farm productivity.

“Established benchmarks will promote informed decision-making, and support farmers in meeting rising environmental, social, and governance (ESG) expectations.”