

*The views expressed in these posts are those of the authors and are current only through the date stated. These views are subject to change at any time based upon market or other conditions, and Eaton Vance disclaims any responsibility to update such views. These views may not be relied upon as investment advice and, because investment decisions for Eaton Vance are based on many factors, may not be relied upon as an indication of trading intent on behalf of any Eaton Vance fund. The discussion herein is general in nature and is provided for informational purposes only. There is no guarantee as to its accuracy or completeness.*

## CALVERT INSIGHTS

# Regenerative Agriculture - A Rising Solution

By: Imani Camp | May 21, 2024

When Calvert assesses how biodiversity may impact the food production ecosystem, we like to consider how Food and Agricultural Products companies are implementing solutions to mitigate the effects of issues such as land degradation soil erosion and soil health. Regenerative agriculture is a practice Calvert believes can solve the growing global food supply issue and improve the operational and financial performance of companies.

Regenerative agriculture describes a broad set of food production methods with two clear and complementary outcomes:

1. The production of high-quality food, and,
2. The improvement of the surrounding natural ecosystem.

The practice focuses on the improvement of soil health, frequently degraded by heavy machinery, fertilizers and pesticides used in intensive farming. Successful implementation implies a paradigm shift from extractive, linear processes focused on increasing yields to establishing sustainable cycles of regeneration.

Regenerative Agriculture encompasses important principles across soils and production:

- Don't disturb the soil
- Keep the soil surface covered
- Keep living roots in the soil
- Grow a diverse range of crops
- Bring grazing animals back to the land

The principles promote healthier soils that are more resistant to harsh weather conditions, may produce increased yields, and reduce water loss and soil erosion. Healthy soil is also full of microorganisms, which represent a full quarter of the world's biodiversity. These microorganisms nourish and protect vegetal and animal biodiversity, creating healthy ecosystems that are more resilient to the stresses of climate change.

### **Interest exceeds implementation plans**

According to a FAIRR Initiative report published in September 2023, 50 of 79 (63%) of publicly traded agri-food sector companies (Agricultural Products, Food Retail, Packaged Foods & Meats and Restaurants) surveyed by the organization mention regenerative agriculture initiatives in their disclosures. However, only 36% have quantified company-wide targets for regenerative agriculture and only 8% have targets to financially support farmers to deploy regenerative practices.<sup>1</sup>

While the idea of regenerative agriculture is an important issue for companies across these industries most impacted by biodiversity issues, there remains uncertainty as to how companies will implement measures to mitigate current risks and create meaningful change to current agricultural practices.

### **Regenerative agriculture in regulation**

The Kunming-Montreal Global Biodiversity Framework (GBF) was adopted during the fifteenth meeting of the Conference of the Parties (COP 15) in 2022 following a four-year consultation and negotiation process. The GBF establishes both short-and long-term goals for societies and companies to address biodiversity related issues. Short term goals to be achieved by 2030 focus on halting and reversing biodiversity loss while 2050 goals focus on long term sustainable use and management of ecological resources.

Meanwhile, the U.S. Inflation Reduction Act (IRA) is set to inject \$20 billion over 10 years into existing conservation programs administered by the Department of Agriculture. The biggest benefactor is expected to be the Conservation Stewardship Program, which helps farmers defray costs for implementing practices like:

- Cover crops: plants grown primarily to benefit the successful growth of other future crops - keep soil and fertilizer in place over the winter.
- Buffer strips: Barriers of closely spaced trees/shrubs that prevent severe soil erosion from storms.
- Hedgerows: Habitat for wild bees and other beneficial species like butterflies, bats, and birds.

In addition, the IRA will add \$3.5 billion annually to the Conservation Reserve Program (CRP)'s current \$1.8 billion budget, to support payments to enrollees who receive annual rental and other incentive payments for taking eligible land out of production for 10 years or more.

### What else can Regenerative Agriculture offer?

Regenerative Agriculture has the potential to address broader social issues - farmer livelihoods and autonomy, health and safety for all and worker labor conditions. Regenerative Agriculture practices are also encouraging greater collaboration among stakeholders in highest impact industries. Some companies are creating open-sourced websites dedicated to sharing regenerative agriculture knowledge across different types of production (fresh milk, soy, almonds, oats, fruits, vegetables, and cereals) with farmers, farm advisors, field technicians and technical partners. This practice allows companies to establish longer-term relationships with farmers and enables farmers to become the lead actors in a transition to regenerative agriculture. We believe this collaboration is important to solving global challenges associated with the food ecosystem and broader issues such as climate change and Just Transition.

Companies that are embracing closer collaboration with stakeholders are generating potential business advantages -close relationships with farmers enable the creation of long-term contracts and new price management systems based on the evolution of production costs rather than the market prices. Contracts like these may help guarantee farmers stable profit margins and mitigate the effects of fluctuations in the price of goods. This also provides farmers the stability to project and invest in the future, including investing in sustainable and regenerative practices.

**Bottom line:** Calvert believes regenerative agriculture will play an important role in the progress toward an improved biodiversity landscape that benefits the larger food production ecosystem and improves the world's ability to feed a growing population. As responsible investors, we believe that a more sustainable food ecosystem will also likely mean sustained revenues and increased profits for the companies we are invested in.

---

1. "The Four Labours of Regenerative Agriculture: Paving the way towards meaningful commitments," September 2023, <https://www.fairr.org/resources/reports/regenerative-agriculture-four-labours>

*ESG Strategies that incorporate impact investing and/or Environmental, Social and Governance (ESG) factors could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. As a result, there is no assurance ESG strategies could result in more favorable investment performance.*



Imani Camp  
ESG Senior Research  
Analyst  
Calvert Research and  
Management

"Calvert believes regenerative agriculture will play an important role in the progress toward an improved biodiversity landscape that benefits the larger food production ecosystem and improves the world's ability to feed a growing population."

# Marketing Communication

To report a website vulnerability, please go to [Responsible Disclosure](#).

Eaton Vance is part of Morgan Stanley Investment Management, the asset management division of Morgan Stanley.

This site (<https://global.eatonvance.com>) is operated by Eaton Vance Management (International) Limited ("We"). We are a limited company, registered in England and Wales under company number 4228294 and have our registered office at 125 Old Broad Street, London, EC2N 1AR. Our VAT number is 762717416. Eaton Vance Management (International) Limited is authorised and regulated by the Financial Conduct Authority ("FCA") and is entered on the FCA's register with register number 208634.

Eaton Vance Management (Registration No. 1121368) and Parametric Portfolio Associates LLC (Registration No. 1217626) are the registered trade marks of The Eaton Vance Group.

Information on this website does not constitute an offer to sell, or a solicitation of an offer to purchase, securities in any jurisdiction to any person to whom it is not lawful to make such an offer. It is your responsibility to be aware of and to observe all applicable laws and regulations of any relevant jurisdiction. The information on this webpage is not intended for U.S. residents. To visit our U.S. website please click [here](#). Information on this website does not constitute an offer to sell, or a solicitation of an offer to purchase, securities in any jurisdiction to any person to whom it is not lawful to make such an offer. It is your responsibility to be aware of and to observe all applicable laws and regulations of any relevant jurisdiction. The information on this webpage is not intended for U.S. residents. To visit our U.S. website please click [here](#).

The views expressed are those of the authors and are current only through the date stated. These views are subject to change at any time based upon market or other conditions, and Eaton Vance disclaims any responsibility to update such views. These views may not be relied upon as investment advice and, because investment decisions for Eaton Vance are based on many factors, may not be relied upon as an indication of trading intent on behalf of any Eaton Vance fund. The discussion herein is general in nature and is provided for informational purposes only. There is no guarantee as to its accuracy or completeness.

In the EU this website is operated by MSIM Fund Management (Ireland) Limited (MSIM FMIL). The business of Eaton Vance Global Advisors Limited was transferred to MSIM FMIL on 1 October 2021. MSIM FMIL has been appointed as management company of the Eaton Vance International (Ireland) Funds plc and is responsible for the distribution of the funds together with the distribution of Eaton Vance strategies and strategies of Eaton Vance affiliates. For any queries in respect of the products and strategies referred to on this website, please contact MSIM FMIL at 7-11 Sir John Rogerson's Quay, Dublin 2, D02 VC42, Ireland. MSIM FMIL is regulated by the Central Bank of Ireland with Company Number: 616661.

Outside of the US and EU, this material is issued by Eaton Vance Management (International) Limited ("EVMI") 125 Old Broad Street, London, EC2N 1AR, UK, and is which is authorised and regulated in the United Kingdom by the Financial Conduct Authority.

This material is only intended for and will only be distributed to persons resident in jurisdictions where such distribution or availability would not be contrary to local laws or regulations.

This material does not constitute an offer to sell or the solicitation of an offer to buy any services referred to expressly or impliedly in the material in the People's Republic of China (excluding Hong Kong, Macau and Taiwan, the "PRC") to any person to whom it is unlawful to make the offer or solicitation in the PRC.

The material may not be provided, sold, distributed or delivered, or provided or sold or distributed or delivered to any person for forwarding or resale or redelivery, in any such case directly or indirectly, in the People's Republic of China (the PRC, excluding Hong Kong, Macau and Taiwan) in contravention of any applicable laws.

EVMI is registered as a Discretionary Investment Manager in South Korea pursuant to Article 18 of Financial Investment Services and Capital Markets Act of South Korea.

Morgan Stanley Investment Management (Australia) Pty Limited ACN 122 040 037, AFSL No. 314182 arranges for Eaton Vance Management International Limited to provide financial services to Australian wholesale clients. This publication is disseminated in Australia by Morgan Stanley Investment Management (Australia) Pty Limited ACN: 122040037, AFSL No. 314182, which accepts responsibility for its content. This publication, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act.

*We are actively incorporating accessibility practices, such as those outlined in the Web Content Accessibility Guidelines, into our go-forward website design and content development to make information more accessible and user-friendly. In addition, we are developing a multi-year accessibility strategy and content guidelines that further support the use of assistive and adaptive tools. Our ultimate goal is to meet federal guidelines and policies or provide equivalent accommodations and service support for all customers.*