VAN LANSCHOT KEMPEN

INVESTMENT MANAGEMENT

Biodiversity impacts - how to measure progress

For Professional Investors only
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The challenge and the solution

Half the world's economy relies on a fertile soil and healthy biodiversity. However, over the past forty years, our planet's soil health has steadily deteriorated and biodiversity is vanishing at an alarming rate. The World Economic Forum's 2022 Global Risks Report even ranks biodiversity loss as the third greatest threat over the next decade. With food security for billions hanging in the balance, it's no wonder questions about how to produce healthy food are growing. Feeding the world is no small feat.

We don't want to keep you in suspense for long. Fortunately, there is a solution: changing the way we use land. Regenerative agriculture is all about transforming depleted land into fertile ground and producing nutritious food. This approach helps restore nature by leveraging the natural tendencies of ecosystems to regenerate when disturbed. In doing so, regenerative farming seeks to enhance soil fertility, improve water management and boost biodiversity, thereby increasing yields while reducing environmental impacts.

How regenerative farming helps

Regenerative farming isn't the same as biological farming. It's unique among sustainable and organic farming systems because it focuses on measurable outcomes without dogmatically prescribing how to achieve them. Regenerative farmers are outcome-oriented and focus on measurable results.

There are six key principles in regenerative farming that can lead to the goal of protecting and regenerating the soil:

- **Circular farming** Give back to the ecosystem what you take, whether it's soil, water, or biodiversity. Using natural fertilisers is key.
- **Crop rotation** Reduce soil nutrient loss by rotating crops.
- **Promoting biodiversity** Biodiversity strips enhance ecosystem health and prevent erosion. They attract insects and birds that play roles in pollination and pest control.
- **Cover crops** Allow land to accumulate biomass, avoid erosion, and prevent salination.
- **Protect soil from erosion and compaction** Use light machines, cover crops, and drainage systems to avoid compaction and allow water to infiltrate
- **No tilling** Tilling isn't healthy for the soil in the long run; it promotes the degradation of organic matter and the release of greenhouse gases

Measuring societal and financial impacts

Our regenerative farming strategy seeks to deliver financial returns—through enhanced crop yields, productivity gains, and increased land value, amongst others. It also aims to establish an ecologically sustainable, resilient, and health-conscious food system. This ambition is far from aspirational: we are committed to achieving demonstrable impact by linking core regenerative principles directly to measurable KPIs, with progress rigorously tracked on an annual basis. In doing so, we ensure that sustainability objectives and financial performance are aligned, aiming to provide tangible value for stakeholders and long-term security for our investments.

To measure our impact, each property adopts key performance indicators (KPIs) aligned with six Sustainable Development Goals: food, health, water, climate, circular economy, and soil & biodiversity. These KPIs— ranging from action-based metrics like the share of land under regenerative practices or outcome-based such as gains in soil organic matter—are reviewed annually, with long-term targets guiding the process.

Tracking results

After investment, for each farm in our portfolio, we create a tailored sustainability plan under the supervision of an experienced local consultant. Then we closely track farm management and sustainability results, focusing on tangible progress at each site. Here are a few things that are measured at our farms:

Our commitment to regenerative farming is reflected in several core focus areas, each contributing to the resilience and sustainability of the land. We prioritise soil health by implementing practices that restore organic matter and structure. For example, in 2024 100% of our row cropping farms were employing cover cropping as a soil health practice. In 2023 this figure was 86%.[1]

- **Protecting water resources** is central to our approach (water protection plans were implemented on 100% of irrigated farms, compared to 57% in 2023.
- **Safeguarding crops** is also a priority through minimised tilling, the use of cover crops, and reduced reliance on synthetic fertilisers and pesticides. Here the figure for reduced tillage practices went from 55% (2022) to 79% in 2023f. The use of pesticides and herbicides is measured per farm and all farms have a pesticide management plan.
- **Energy use and air quality** are also at the forefront, with fertiliser application identified as a major source of CO_2 emissions on most farms. We have set a target for reducing carbon emissions by more than 20% over five years.
- **Waste and material management** plays an important role too—through the promotion of composting, we transform organic waste into natural fertiliser, closing the loop on farm inputs. In 2022 18% of our farms made use of composting and this figure increased to 28% in 2023.
- **Biodiversity conservation** receives special attention in our strategy. We want at least 10% of each property to be dedicated to biodiversity areas; in fact, we have already reached 11.3% in 2023 and are striving for further improvement by creating 'green corridors' and revitalising water catchment zones. Additionally, strip cropping, mixed cropping, and the varied use of cover crops all help to foster biodiversity, providing an environment where plants and insects can thrive.

For measurements, modern technology can help. Crops can be managed by observing and measuring variability through satellite navigation, geographical data systems and sensors located on machines or on the land. The data gathered about the condition of the soil, climate and crops is used to improve decision-making, optimise resource use, and thereby to contribute to a more efficient and sustainable farming system. The main objective is to achieve greater yields with fewer resources.

Case study:
A sustainable turnaround in Wisconsin

The example of the Delavan Lake watershed project in Wisconsin, USA, shows how significant environmental improvements can be achieved. The Kempen SDG Farmland Strategy acquired Delavan Farm in 2022, in partnership with US Agriculture. The farm is located next to Jackson Creek that feeds into Delavan Lake, a popular recreational area. The farm had long-standing issues of soil erosion and nutrient runoff, which contributed to algae blooms and declining water quality in the lake, placing financial burdens on local residents.[2]

We collaborated closely with local organisations and stakeholders and implemented a number of sustainable farming practices such as reduced tillage and cover cropping, while also reshaping grass waterways and installing subsurface drainage tiles. This effectively curbed soil erosion and nutrient runoff. A key milestone was the creation of a 55-acre wetland restoration area, designed to filter water and reduce phosphorus entering Jackson Creek, thereby improving lake water quality and providing vital habitat for nesting birds and other wildlife.

Although these measures may seem unproductive for a landowner, they ultimately benefit the farm itself. For example, improved water management and quality can lead to better yields. The success of the Delavan Lake project has prompted us to explore another wetland restoration project on one of our other Midwestern row cropping farms.[3]

1. All data come from Van Lanschot Kempen SDG Farmland team and Agroges. Some numbers for 2024 are not yet available.
2. US Geological survey response in the water quality of Delavan Lake, 2021
3. Van Lanschot Kempen Investment Management and US Agriculture, LLC

Next steps on our regenerative journey

By applying regenerative practices and setting ambitious and measurable goals we aim to build healthier soils, improved yields and create lasting value for our investors and the communities where we are based. We are confident that this approach helps to address some of agricultures and society's most pressing challenges, while potentially delivering healthy financial results as well.

Contact us

To find out more about our approach to regenerative farmland investing, please visit the contact page on our website for details of our regional teams.

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