MEDIA RELEASE
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WORLD-FIRST RESEARCH SUGGESTS NATURAL CAPITAL IMPACTS FARM PERFORMANCE

Australian research project, *Farming for the Future* releases preliminary findings

In a study of global significance and at a scale never previously undertaken, Phase 2 of the *Farming for the Future* research program has collected financial, ecological and social data from 130 Australian grazing and cropping enterprises, the preliminary results of which were unveiled today at the National Farmers' Federation & *Farming for the Future* Natural Capital Summit in Canberra.

Dr Sue Ogilvy, Program Director, *Farming for the Future* said the initial research findings demonstrate that it is possible to establish and quantify the relationship between a farm's natural capital, and its productivity and profitability.

"This is the prototype phase of our program, but already we have evidence that shows there is great potential to be realised by being able to quantify the value of investing in a farm's natural capital," Dr Ogilvy said.

"The methods developed for the project will help to provide a baseline for both emissions and natural capital condition and value in productive landscapes, and support policy and private investment to realise a more financially prosperous, climate-resilient, and environmentally positive agriculture sector in Australia.

"Importantly, our analysis has identified the real possibility of an 'opportunity zone' where investment in the ecological condition of a farm is associated with financial benefits."

Preliminary results from *Farming for the Future* Phase 2 research indicate that:

- High levels of farm productivity are possible from both intensive livestock enterprises (with low natural capital) and those with higher of natural capital, but high natural capital farms are more profitable in financial terms.
- There are different 'benefit pathways' through which natural capital can support farm businesses, including via improving productivity, and/or by reducing input costs.
- Most of the relationships between natural capital and farm business performance that we observed were positive and linear. This means that most farms in our sample, and similar farms within the broader farming population, could improve their business outcomes by improving their natural capital.
- Our landholder surveys show that the potential for private financial benefits is the most compelling reason for farmers to invest in natural capital improvements.
- Delivering insights into natural capital-farm business relationships across a broader range of focus regions and enterprise types would help to drive large-scale industry adoption of improved natural capital management (+38% of farms beyond forecast baseline levels).

Results of analysis show that the relationship between natural capital and farm business performance is, for the most part, a positive one with clear evidence of the 'opportunity zone' for all farm metrics tested.

"As natural capital improves, so too can farm performance. It is possible that there is some trade off point at very high levels of natural capital, but our research has found that most farms haven't reached a trade-off point so there is still scope to realise productivity and profitability benefits from further investment in natural capital.

The *Farming for the Future* research team is supported by a multidisciplinary network of farm advisors, natural resource management (NRM) experts, and scientists to conduct the program of research, analysis, and systems change activation.

"Importantly, we have been able to tease out individual natural capital measurement indices that can be directly related to farm management actions.

"By working hand-in-hand with farmers and their advisors during the research to understand what information would be useful, we can start to develop the tools and benchmarks to inform decisions about investment in a farm's natural capital and the opportunity for improved financial performance," Dr Ogilvy said.

Initiated by philanthropic foundation, the Macdoch Foundation, *Farming for the Future,* is industry-led and supported. Funding for the first phases has been secured from a broad network of supporters, including philanthropists, government, banks, and industry bodies including Meat & Livestock Australia, and Australian Wool Innovation.

At the joint *Farming for the Future* and National Farmers' Federation (NFF) event in Canberra today, Tony Mahar, CEO, NFF spoke about the opportunity for Australian agriculture to employ initiatives that build farm-level information that deliver returns to farmers and rewards them for compiling that information.

"One of the key premises for practice change with respect to natural capital is that you can't manage what you can't measure, and you won't invest in what you don't value. There is already an extensive knowledge base and capability amongst farmers but there is not currently a comprehensive and consistent set of natural capital measures to support widespread adoption of natural capital measurement across Australia.

"By empowering farmers to invest in natural capital for climate resilience, and providing the tools to support how farmers interact with markets, supply chains, banks and governments, farmers will be better equipped to make decisions about natural capital to make their businesses productive, profitable and resilient under climate change and be recognised for good management of natural capital," Mr Mahar said.

Future research will be expanded to include a diversity of farming businesses across Australia with the intent of revealing the value of natural capital to agriculture by quantifying the private benefits to farmers that accrue when they manage natural capital in a way that also delivers environmental outcomes that are in the public good.

Program Director, Dr Sue Ogilvy said, "*Farming for the Future* is a program designed to achieve public interest goals and collective impact via cross-disciplinary and cross-industry collaboration. Our philanthropic mission frees us up to work across disciplines, establish unique collaborations, take calculated risks, go fast, and achieve breakthroughs that others are unable to. We have now proven that relating natural capital to farm business performance is possible, and we have done it. Philanthropy has acted to create this 'proof-of-concept', reducing the risk and paving the way for future investment by others for us to scale.

"Funding is now being sought to expand our research activities to incorporate 1,500 livestock, cropping and mixed cropping-grazing farm businesses as well as horticulture and rangelands pastoral enterprises across all Australian states and territories. Completion of the research program will see consolidation of program outputs and generation of capability to enable mainstream farm management and reporting to include natural capital business value benchmarking and enable farmers to efficiently report their performance to stakeholders.

"Ultimately, program assets will be transferred, as a nationally significant information capability, to a long-term, trusted institutional owner who will continually update the evidence base and make the findings widely available for the empowerment of farmers to assure healthy productive landscapes and resilient rural communities that are ready to face future challenges from emerging markets and a changing climate," Dr Ogilvy said.

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Additional resources and program information is available online here.

About *Farming for the Future*

Established by the Macdoch Foundation in 2021, *Farming for the Future* is a public good agricultural research and change activation program that is building the first national-scale evidence base of natural capital and its relationship to business performance on Australian farms. We aim to provide farmers with the data, practical support, and tools needed to measure their on-farm natural capital and manage it in ways that help build more productive, profitable, and climate-resilient businesses.

The program was borne of a clear and urgent need to develop the business case for measuring, valuing, and investing in natural capital, by asking and investigating questions that have not yet been sufficiently researched to a degree that provides confidence for the wide scale change needed across Australian agriculture. By continuing to conduct a once-in-a-generation study of natural capital condition on a total of 1500 Australian farms, *Farming for the Future* will first reveal the nature of the relationship between natural capital and farm business performance. In doing so, it aims to provide the national-scale evidence and practical support that farmers need to embed natural capital in mainstream farm management practices, and to activate the supply chain to encourage and reward that shift.

Farming for the Future aims to publish findings about relationships between natural capital and farm economic performance. Alongside this evidence base, it aims to develop enduring, user friendly ways for farmers to be informed of the comparative advantages offered by different types and configurations of natural capital to their businesses under different seasonal and market conditions. With this in mind, the outputs of the *Farming for the Future* program will be threefold: a national-scale evidence base and support for the emergence of natural capital accounting: a Natural Capital 'Diagnostic Platform' or 'Benchmarking System' designed in collaboration with farmers and their advisory networks; and a program of system activation with governments, the financial services industry and supply chains to enable them to support farmers to invest in natural capital for crop and livestock production.

These practical tools and information outputs will be designed to enable the farm advisory network routinely to consider the type and condition of a farm's natural resources in farm business performance analysis and decisions about farm management and strategic planning. They will also support greater transparency across the agriculture supply chain of the positive and measurable contributions made by Australia's farming community to our landscapes and broader efforts to pursue nature-positive development pathways for industries.

This national-scale study will provide a baseline for natural capital in agricultural landscapes and demonstrate the relationship between natural capital, farm management practices, and business performance. Our evidence base, containing findings about different enterprise types across the continent, will be made publicly available to support:

- Farmers to make informed decisions about adapting their management practices and investing in natural capital improvements amid changing climate and market conditions;
- Businesses in the agriculture supply chain to innovate and create new ventures and initiatives which draw on our findings to support farmer investment in natural capital; and
- Policymakers to recognise and incentivise farm management strategies that preserve nature, promote biodiversity, and address climate change.