

Financing the transition to a more resilient and sustainable agri-food system

Forum for the Future of Agriculture

Perspectives report

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**Forum for the
Future of Agriculture®**

Abstract

The transition to a more resilient and sustainable agri-food system depends in large part on the ability to make better use of existing and unlocking new financial incentives to drive and sustain the transition. Between late 2024 and the Summer of 2025, the Forum for the Future of Agriculture, together with its partners and stakeholders, explored through a series of workshops the opportunities and challenges in doing this and how to take a systemic approach to financing the transition.

This report reflects our discussions and the ideas which emerged.

Executive summary

Against a backdrop of squeezed farm incomes, the effects of a changing climate and loss of biodiversity, as well as continued challenges in access to affordable, healthy, nutritious food, the case for transitioning to a more resilient and sustainable agri-food system could not be stronger. Indeed, as these pressures grow, it is clear that farmers are on the front line and often first to feel their effects. This is why we launched our Call to Action, March 2023, which tries to marry the need for adaptation and mitigation whilst calling for a better alignment between public and private financial incentives that can support the change needed.

This starts from a central hypothesis that the transition to a more resilient and sustainable agri-food system will depend in large part on the ability to make better use of existing funding and unlock new financial incentives to drive and sustain the transition. By some estimates, including experts at the World Bank, the cost of making the global agrifood system more resilient and sustainable, and climate and nature positive, could be around \$500bn annually for the next ten years.

Given this, between late 2024 and the Summer of 2025, the Forum for the Future of Agriculture, together with its partners and stakeholders, convened a series of in-depth workshops to explore the thinking on how to address the opportunities and challenges in doing this in the European Union and to generate new ideas for achieving the objectives and taking a systemic approach to financing the transition.

In total, six workshops, along with a series of follow-up meetings, were held and concentrated on the following key areas:

- The critical role of the proposed new EU benchmarking system in targeting finance on the desired outcomes
- An evolution in the use of public money and linked to incentives
- The need to maximize the impact of emerging financial incentives and unlocking new ones
- New mechanisms for leveraging private finance and additional ideas for de-risking the transition

In this perspectives report, we have reflected the nature of the discussions in each workshop and the thinking and ideas which emerged.

In July 2025, shortly after the conclusion of the last of our workshops, the European Commission published its proposal for the next Multi-Annual Financial Framework, (MFF) which does have implications for the effort to finance the transition of the agri-food system.

The Commission's proposal is clearly a first step in the process and exactly how this plays out for the agri-food system will only become clear with the publication of further detail later this year. From an initial

review of the MFF, there is a positive shift toward incentive based public payments through a reformed Common Agricultural Policy, ensuring that support is tailored to those who need it most. This reflects much of the thinking in all our workshops, which is set out in this paper, particularly in the chapter on the evolution in the use of public money.

On the other hand, it is not immediately obvious how the proposals can or would lead to common action across the European Union against the objectives of the benchmarking system put forward in February in the Commission's Vision for Agriculture and Food. The importance of an EU-wide benchmarking system was repeatedly emphasised in our workshop discussions, which is specifically addressed in the first chapter of this paper.

As already mentioned, the cost of financing the transition of the agri-food system, in Europe alone, is likely to run into hundreds of billions of euros over the next decade and will require the full contribution and collaboration of both the public and private sectors – a theme that we return to throughout this paper.

In this context, the potential reduction in the amount of public funding for agriculture and food, implied by the announcement on the MFF, is a cause for concern. If realised, it may not only impact public funding for efforts to improve the health of our soils, replenish water supplies, and restore biodiversity, but also affect the resilience of the agri-food sector and undermine the effort to lever in private investment which could help to de-risk the transition.

In the months to come, the Forum will seek to deepen its thinking on many of the ideas, which emerged from our workshops on how to take a systemic approach to financing the transition. Whilst we do not suggest that our thinking and ideas are definitive, or even represent a formal position of the Forum, we do hope that they will be considered by all stakeholders and be an enduring and valuable contribution to the vitally important effort to finance the transition to more resilient and sustainable agri-food system. As we do so, we shall obviously take account the future detail which emerges on the Multi-annual Financial Framework and the new Common Agricultural Policy (CAP) and their impact on the transition of the agri-food system.

About the Forum for the Future of Agriculture



Established in 2008, the Forum for the Future of Agriculture has grown quickly from being a conference which brought together stakeholders interested in the future of both the environment and farming. Today, it is one of the leading international forums that works with a wide range of public, civil society and private sector partners and stakeholders to generate new ideas and thinking, ways of working, and solutions that can help build a more resilient, sustainable, climate friendly and nature positive food and agriculture system.

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The benchmarking system



Starting point

The Forum expressed its support for the establishment of a European benchmarking system for sustainability in the agri-food system in its letter to Agriculture Commissioner Christoph Hansen in January 2025. With the appropriate safeguards, we argued that such a benchmarking system has great potential to enhance predictability and encourage all stakeholders to jointly drive the transition towards a more resilient, economically viable, socially inclusive and environmentally sustainable agri-food system across the European Union. It must, however, be underpinned by robust, science based, monitoring, measurement, reporting, and independent verification.

It was no surprise then that participants and contributors to our workshop on this topic agreed on the necessity of an EU-wide benchmarking system and that the priorities contained within it can be used to better align both policy and financial incentives and investments (whether they be from public, including the CAP, or private sources).

It may also offer an opportunity to simplify and bring greater coherence to the complex landscape of EU sustainability requirements, making it easier for actors across the chain to navigate and comply with expectations. The system's inclusive and transparent design, together with scientific coherence, aims to foster broad uptake and mutual learning across Member States. From our discussions, which were also reflected in the Forum's letter to Commissioner Hansen, there was general alignment that these benchmarks need to be focused on significantly improved environmental outcomes for soil, water, GHG emissions, and the conservation and restoration of biodiversity. By providing a common but flexible structure for assessment and comparison, the system will help ensure that sustainability efforts across the agri-food sector are better targeted, more synergistic, simplify the administrative burden at farm level, and aligned with long-term objectives.



Guiding principles

One of the key insights to emerge from our discussion was the need for a multi-layered approach that builds on existing economic, social, and environmental requirements for market access, including legal and interprofessional standards. This foundation can be complemented by additional commercial sustainability initiatives, (particularly if they are coherent with the benchmarking system) recognising the willingness of some consumers to pay a premium for the extra efforts made by actors along the agri-food chain. To ensure broad acceptance and effective implementation, workshop participants and contributors generally believed that the benchmarking system should be based on the following guiding principles:

Build on existing requirements

- Use current legal and interprofessional standards for market access as the foundation.
- Allow for the integration of commercial sustainability initiatives (coherent with the benchmarking system).
- Recognise willingness of some consumers to support additional efforts with price premiums.

Ensure clarity and usability

- Set simple, clear objectives to encourage broad stakeholder acceptance and effective implementation.

Base decisions on solid data

- Establish a scientifically robust and credible baseline, using reliable data at EU, national and local levels. This should cover the economic, social and environmental pillars of sustainability and remain flexible enough to enable the recognition of the 'early movers'.

Set meaningful targets

- Define ambitious but realistic and measurable goals with a long-term perspective to guide continuous improvement.

Address all key sustainability dimensions

- Environmental - soil health, water quality, biodiversity, air quality, reduction and removal of GHG emissions, and climate resilience.
- Social - fair working conditions, inclusive economic participation, access to training and animal welfare.
- Economic - sustainable livelihoods, value generation across the agri-food chain and access to finance for sustainable practices.
- Circularity (cross-cutting) - include indicators on food waste reduction, nutrient recycling, reuse and repair, and efficient use of resources.

Respect regional diversity without losing EU coherence

- Account for regional and local differences across Member States and applied in a flexible, context-specific and farmer-centric way.
- Ensure these do not undermine a European level playing field.

Leverage what already exists

- Draw on the best approaches (whether regenerative agriculture, agroecology, conservation agriculture, sustainable intensification, climate-smart farming, low input farming, precision farming) with the ambition to not only maintain but improve and restore natural resources.
- Avoid duplication by integrating simple, feasible, and affordable indicators, which are grounded in the robust scientific baseline, into current market access standards.
- Focus on streamlining rather than reinventing sustainability assessment tools.



Focus on potential pathways

To accelerate the transition toward a more sustainable and resilient agri-food system, the discussion in the workshop led participants and contributors to the following core focus areas and design principles:

Prioritise a limited set of high-impact, outcome-based indicators.

The system should focus on a small number of scientifically robust indicators that can deliver broad systemic benefits and are practical to implement and monitor. These indicators should be differentiated across field, farm, and landscape levels, based on their simplicity, feasibility, and affordability. This includes environmental indicators as well as those measuring economic resilience and social inclusion.

Anchor the benchmarking system... in soil health...

Healthy soil is an asset for every farmer and land manager and contributes directly to farm resilience, productivity, and profitability. Moreover, soil health benefits from the most advanced and comprehensive datasets currently available across the EU. Although the science is evolving for soil health, indicators such as soil organic matter, nitrogen and phosphorus balance, pH, water retention, could provide a farm level view of soil health. In addition, they could be coupled with levels of adoption of

practices known to have a demonstrable impact on maintaining and/or improving soil health such as crop diversification, use of cover crops between harvests, reduced input use, and minimum or no tillage.

Setting the right targets here would also be critical given the difference in soil conditions across the Union. In some locations, merely maintaining current soil health (or limiting further erosion) may be more achievable than outright improvements that are achievable in other places.

In addition, some partners (though not all) believe that improvements in soil health may also contribute to improvements in water quality, biodiversity, and air quality, including carbon and climate outcomes. The economic and social co-benefits of healthy soils — including greater yields, input cost savings, and more resilient rural communities — should also be highlighted where data permits.

... and in biodiversity indicators

The system should also be anchored in biodiversity and include well-established biodiversity indicators, such as the Farmland Bird Index and the Grassland Butterfly Index, to monitor ecosystem health and detect long-term trends. The focus ought to be on such indicators which measure and demonstrate outcomes and results. Where indicators are not feasible for technical reasons, they could be complemented by proxies such as adoption of practices known to improve biodiversity such as on farm pollinator strips, ponds, hedgerows and areas under natural vegetation.

The Sustainable Agriculture Initiative (SAI) platform also provides a possible approach to on-farm biodiversity by focusing on the area of a farm which is left for biodiversity to evolve. This practice is another example of an outcome proxy which is known to improve biodiversity. As discussed in the next chapter, such areas under natural vegetation, like ponds and hedgerows, could qualify for bonus payments if the farmer guarantees their long-term existence (e.g. through instruments like covenants or an *obligation réelle environnementale*).



The system should include well-established biodiversity indicators, such as the Farmland Bird Index and the Grassland Butterfly Index

Track evolution in farm income and profitability through the transition

For the transition to succeed, tracking the evolution to net farm income, profitability and business viability and socio-economic well-being, through the transition was seen as a critical metric for the credibility of and broad support amongst farmers and land-managers for the benchmarking system.

Where the indicator reveals farmers encounter financial difficulty during the transition, additional public support payments could be made. But the financial difficulty would have to be clearly linked to the transition and not for other reasons (force majeure such as floods, epidemics or drought, where separate relief payment systems exist).

Assess progress over time using regional and local baselines.

Progress should be evaluated against local or regional averages over a defined time frame (for example, five years), while maintaining alignment with long-term sustainability goals. The benchmarking process should begin with a clearly established baseline and, where appropriate, include a retrospective assessment of actions already taken which recognise the efforts of the 'early movers'.

Ensure robust planning and accountability.

All sustainability actions must be embedded within a well-defined sustainability plan. Outcomes should be measurable, reportable, and verifiable (MRV), ideally through independent monitoring mechanisms to ensure credibility and transparency. This could be achieved through an EU-wide framework which provides the scientific basis for MRV as well as the overall governance.



Overall thoughts

Overall, the discussion in this workshop confirmed that the proposed EU-wide benchmarking system does offer a strategic and inclusive approach to harmonising sustainability efforts across the agri-food sector. By building on existing standards and integrating practical, outcome-based indicators, the system addresses the urgent need for coherence and clarity in sustainability assessment while maintaining the flexibility to respect regional diversity. Anchoring the framework in key leverage points such as soil health and biodiversity and ensuring that economic and social dimensions are equally prioritised, will help create a more resilient, fair, and future-proof agri-food system. Through robust structure, the benchmarking system could provide a common language and platform for progress, enabling stakeholders across Member States to align on shared goals, track improvements, adapt interventions where needed, and collectively advance towards a sustainable European food future.

It is for these reasons that there is a concern amongst workshop participants that the potential dilution in commonality, implied by the MFF proposal, could undermine the goals of an EU-wide benchmarking system.

Chapter 2

Evolution in the use of public money



Starting point

The discussion in this workshop confirmed the view that the use of public money, particularly through the Common Agricultural Policy, remains important for stabilizing and supporting farm incomes but that it is also critical to financing and sustaining the transition to a more resilient, sustainable, climate smart and nature positive agri-food system.

Given this, there was a clear view that the Common Agricultural Policy (CAP) does need to evolve so that the use of public money responds best to today's challenges by supporting and rewarding any and all farmers who commit to make the transition to a more resilient, sustainable, climate-smart and nature positive agri-food system. This was also seen as vital for the CAP to continue to command broad public support.

With that in mind, participants and contributors did feel that the status quo is no longer an option and implies a significant and even substantive evolution in the use of public money and that this would require strong political leadership and flexibility, from both public and private market stakeholders, to achieve this evolution.

There was also a view that financing the transition must be a true public-private partnership and that there is no single actor or mechanism – like the CAP – that can do it all. Nevertheless, whilst there should be an evolution in the use of public money, which goes hand-in-hand with the leveraging of private incentives and finance, it should continue to play a central and catalyzing role in delivering the desired outcomes in transitioning the agri-food system.

Finally, it is important to note that while our deliberations have addressed and engaged in the ongoing policy discussions at the EU level, including in the reform of the CAP, the thinking and ideas that emerged from these workshops may well remain relevant beyond the immediate policy outcomes.



Guiding principles

In discussing the evolution in the use of public money for financing and sustaining the transition, a number of key principles emerged that could guide the approach to the evolution of the CAP in particular.

- The use of public money through the CAP should be closely aligned with and conditional upon the achievement of the priorities of the benchmarking system and geared toward increasing **sustainable** productivity¹. As discussed in the previous chapter, the benchmarking system could be focused on a relatively small number of key indicators including:
 - improvements in soil health at the farm level; and
 - the reversal and restoration of biodiversity at a landscape/regional level
 - evolution of farm net incomes during and after the transition (to inform additional levels of income support for the transition)
- The indicators themselves should be scientifically robust, credible and achievable

¹ Although we did not discuss a clear definition of 'sustainable productivity', in the context of our discussions it was generally taken to mean improving the health of soils, conservation of water and biodiversity.

- Direct payments to farmers should be greatly simplified, accessible to all active farmers and as far as possible linked to/ conditional on progress/achievement of the benchmark system indicators.
- Farmers and land managers must be empowered to act and innovate to deliver against the desired outcomes and not have their activities or practices prescribed.
- The success of this approach will be dependent on (and continuous improvements of) comprehensive data sets to inform baselines and the ongoing monitoring of outcomes. This should also benefit the farmer and support on-farm decision making.
- The use of public money should have a demonstrable leverage effect on private investment and work in conjunction with other public fiscal interventions (such as the progressive use of tax incentives at Member State level). The extent to which the use of public money is being matched or leveraged by the private sector should be continually assessed.
- This approach requires a long-term perspective as well as progress checks and flexibility to re-prioritize funds on a shorter-term periodic basis where necessary to accelerate specific outcomes.



A potential pathway - performance-based payments for sustainable productivity and biodiversity?

If a benchmarking system for sustainability is to be established, then it arguably follows that public money should be targeted on the achievement of the priorities and goals set out within it. With that in mind, the workshop on this topic explored a pathway which would see the majority of current CAP money merged into a multi-annual soil-based 'Sustainable Productivity Payment' and a single 'Agricultural Biodiversity Payment'.

In this way, future CAP budgets could be structured around clear indicator sets, which could reflect those laid out in the Nature Restoration Law (for example, soil health, farmland birds, grassland butterflies, and other landscape elements). The more positive outcomes against the different indicators, across the two payments, could also result in higher payments to the farmer.

It should be noted that in all our workshops, there was a vigorous debate about this approach as well as the extent to which indicators should be practice or outcome based. Although it was acknowledged that purely outcome-based schemes might be difficult to implement they should be pursued wherever possible. Overall, this kind of approach would require careful consideration, particularly with respect to the inevitable trade-offs.

A sustainable productivity payment conditional on farm-level improvements in soil health

A multiannual single 'sustainable productivity payment', would be primarily conditional upon demonstrable efforts and measurable improvements in soil health (and relying on the wealth of existing but underutilised land management data for this purpose).

To ensure the widest possible improvement in the health of the EU's soils, all eligible land would qualify for this single payment.

Regional averages of pedoclimatic regions could be used as benchmarks to measure improvements in soil health (focused on a limited number of indicators, which are all available at regional level, such as soil biodiversity, soil organic matter, nitrogen and phosphorus balance, pH, water retention). In addition, there was also a discussion that these indicators, which are still maturing in their measurability, could be supplemented by evidence (provided through Farm Management Systems) of the adoption of practices believed to improve soil health, such as increased crop diversification, adoption of cover crops and buffer strips, reductions in the use of chemical inputs, and minimum or no tillage.

Performance could be measured by the extent of practice adoption and/or changes in soil health, comparing 3-5 year averages at the beginning and the end of the financial period, with regional averages as default values unless farmers agree to use verifiable individual values.

Once again, it was considered important to recognise that the extent of the ambition may vary from region to region and that farms should be benchmarked within one region of the same soil and climate to ensure a fair comparison. In some locations, the goal may be to maintain existing levels of soil health or limit further erosion rather than the improvements that maybe possible in other locations.

Farmers could then be further incentivised to collect and use individual farm data by determining premia or discounts of future payments based on deviation from regional averages, with premia and discounts for over- and under-performing soil practices (for example, premia for top 20% performers, discounts for bottom 10%)

Regional benchmarking would include the possibility to account reversals and, if necessary, readjust goals and payments.

We also considered the possibility of a 'look-back' period where farmers and land-managers that have already invested in improvements in soil health, prior to the start of a new payment scheme such as this, would be able to account for this within their progress.

To achieve this potential approach, it is critical that the data upon which assessments are made is comprehensive, reliable and scientifically credible.

An 'Agricultural Biodiversity Payment' for improving biodiversity outcomes

To drive measurable and demonstrable improvements in reversing and restoring biodiversity at the landscape/ regional level (e.g. above farm), there was strong consensus in the workshop that CAP budgets must clearly support this. In practice, this could mean the establishment of a specific and valuable 'Agriculture Biodiversity Payment' available to all farmers who commit to improving biodiversity or to maintaining pre-existing high levels of biodiversity. To be clear, this would complement the sustainable productivity payment and would have to be of sufficient value to strongly motivate farmers to adopt the measures to receive it.

As with the sustainable productivity payment, it should also be possible for farmers to receive additional reward payments for collective out-performance against the regional/ landscape biodiversity targets.

Clear guidance would be necessary to ensure the funds are properly deployed to support biodiversity improvements, particularly in sensitive areas, development of biodiversity corridors, or taking agricultural land out of production for these purposes. Farmers would clearly benefit from this fund where they are contributing to landscape/ regional schemes which are designed to improve biodiversity outcomes.

There should also be flexibility (within the overall funding envelope) to increase the amount allocated to this part of the CAP budget, if and where desired improvements are not achieved.

Finally, this budget for landscape/ regional improvements in biodiversity outcomes should also seek to attract and leverage private investment in nature restoration to maximise the impact. This means that there are no penalties imposed on farmers for so-called 'double funding' (stacked CAP and private sector payments).

Looking beyond CAP funds and the broader use of public money

Looking beyond the CAP, workshop participants and contributors believed that there is a strong case for using public funds to de-risk the transition (which is discussed in chapter 4). As suggested in the Strategic Dialogue on the Future of Agriculture, this could include further investment outside the CAP in Just Transition and Nature Restoration funds.

For example, support should be made available through a **Just Transition Fund** for long-term transition business plans and adopt a whole-farm approach in the case of farmers with special consideration given to food system actors with limited financial means. There should also be a link with support actions to reduce GHG emissions and improve water resilience in agriculture.

As for a **Nature Restoration Fund**, this could be a key tool, beyond the proposed Agriculture Biodiversity Payment, focused specifically on climate adaptation and mitigation as it improves ecosystem resilience and helps counter floods, droughts, heat waves and fires. In this case, there was discussion and support (as in the Strategic Dialogue) for the establishment of a well-resourced nature restoration fund (outside of the CAP) to support farmers and other land managers to restore and manage natural habitats at the landscape level.

Other funding options beyond CAP included funding for:

- research, development and innovation of sustainability tools, practices and technologies (in collaboration with the private sector) and aligned and better coordinated with the Benchmarking System and desired outcomes
- investment in rural communities, especially infrastructure, including digital, required to deliver sustainability outcomes
- access to knowledge, advice and data which support improved on-farm decision making and determining the return on farmers' investment (ROI)
- a serious effort to explore, with Member States, creative, appropriate and progressive use of national tax credits/rebates, to further incentivize investment in practices, tools and technologies, not just for farmers, but for actors up and down the value chain, which can drive improvements in sustainable productivity.



Funding for research, development and innovation could be better aligned

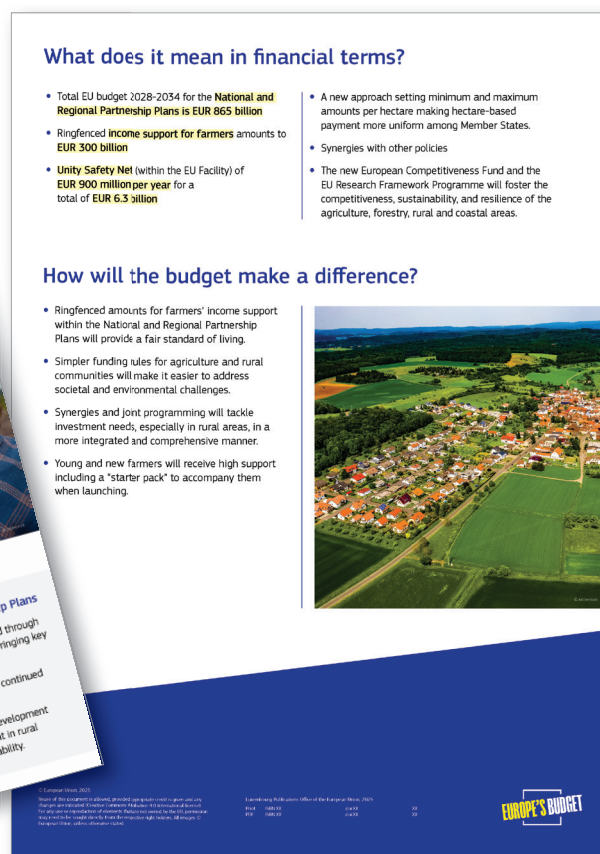
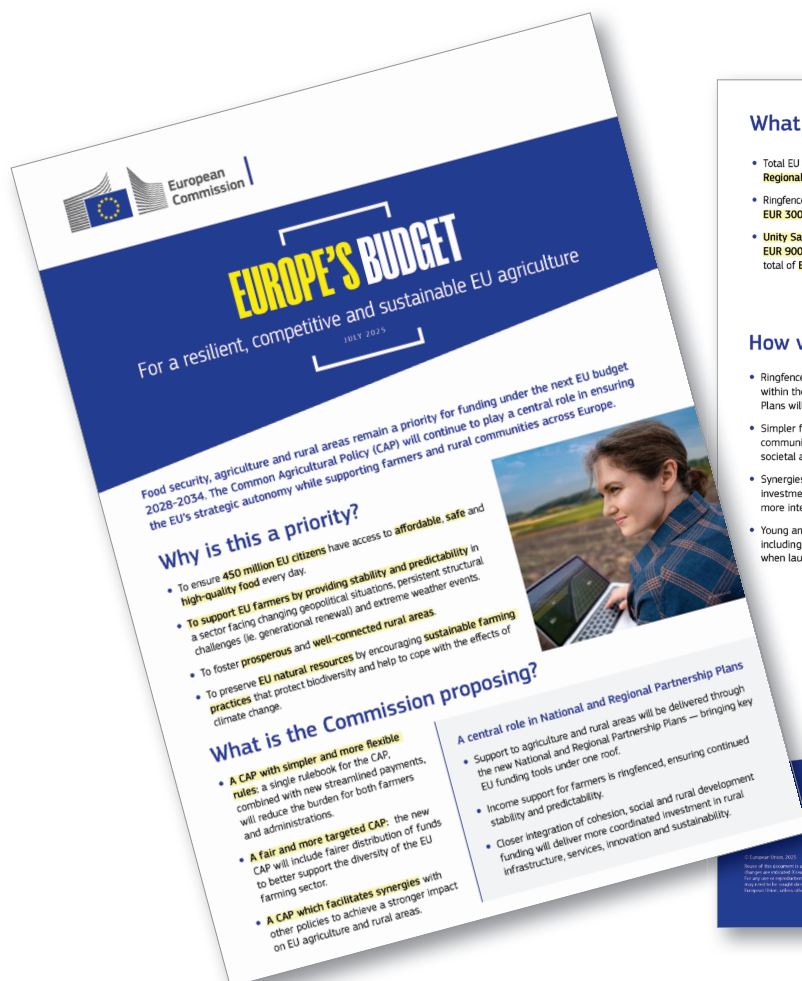


Overall thoughts

The approach taken in the workshop, and follow-up meetings, on the evolution in the use of public money was to build on the recent thinking including that of the 2024 Strategic Dialogue and the Vision on the Future of Agriculture and Food published in February of this year. Taken together, workshop participants felt that the thinking and ideas that emerged could make a positive and potentially impactful contribution on how to better use existing levels of public money and the leverage it might have on private investment across the EU.

Given that, there is a concern amongst participants that the MFF proposal (and its impact on the future CAP) may well result in a significant shortfall in the amount of public funding available to deliver improvements in soil health, replenish water supplies, and restore biodiversity, as well as weakening the institutional and policy structure necessary to deliver such incentive-led action. The case for ringfencing funds for this therefore remains strong.

The critical role of public money for financing the transition of the agri-food system, especially in the EU context, means that the Forum will continue to deepen the thinking in this area and further develop the ideas which emerged from these workshops. In doing so, we will consider the emerging details on the MFF proposal and the future of the CAP.



Food security, agriculture and rural areas remain a priority for funding under the next EU budget 2028-2034.

Chapter 3

Maximizing the impact of emerging financial incentives and unlocking new ones



Starting point

Access to finance is seen by many as a central condition for a successful transition of the European agri-food sector. In particular, the workshop on this topic recognised the pressing demand² from agri-food actors to finance transition investments in sustainable farming and business practices, as well as innovative technology projects that should lead to improvements in the sector's environmental and socio-economic performance.

Farmers, together with small, medium-sized and large agri-food companies, are natural innovators and entrepreneurs. Innovation in the sector opens exciting opportunities for additional sources of income through a climate-neutral and nature-positive economy, and unlocks new, valuable and sustainable income streams. These contribute to greater profitability, resilience and sustainability of farms – particularly important at a time when public funding is under pressure. Private market incentives were therefore seen by participants and contributors in this workshop as being a crucial component for financing the transition in the agricultural sector and it was also positive to see the emphasis placed on this in the MFF proposal and the way it applies for agriculture and food.

This is not falling on deaf ears, as the Forum has seen growing corporate interest and investment (within and outside the value chain) driven by the transmission of economic signals of nature degradation, leading to an increasing need to de-risk supply chain and mitigate the impact of climate and environmental events on business continuity. The trend toward private market incentives unlocking further investment in innovation and R&D, particularly in development of sustainability tools, practices and technologies as well as generating data (especially through increasingly precise measuring and modelling approaches), which will support improved farm decision-making, is expected to continue and accelerate.

However, it was clear for participants and contributors in this workshop, that no single actor, practice, incentive, funder, or institution is capable to drive the transition alone. Instead, there was a recognition of the need for a mixed (blended) approach that brings together all actors, practices, incentives, private and public institutions. Moreover, private investment should be continuously incentivised, for example, by setting clear, pragmatic and EU-harmonised rules when it comes to claim/communications about investments made.

² The financing gap is the *unmet credit demand due to constrained or absent access to bank financial products*. The unmet demand includes a loan applied for but not obtained, financing refused by the potential borrower and a loan not applied for due to fear of rejection. In 2022, the financing gap for the EU-24 agriculture sector was EUR 62.3 billion, surpassing the 2017 figure by 33%. In 2022, the financial gap for EU-24 agri-food enterprises was EUR 5.5 billion, 53% lower than the 2018 figure. (Source: European Commission and EIB, Financing the gap in the EU agricultural and agri-food sectors, FI Compass, 2023).

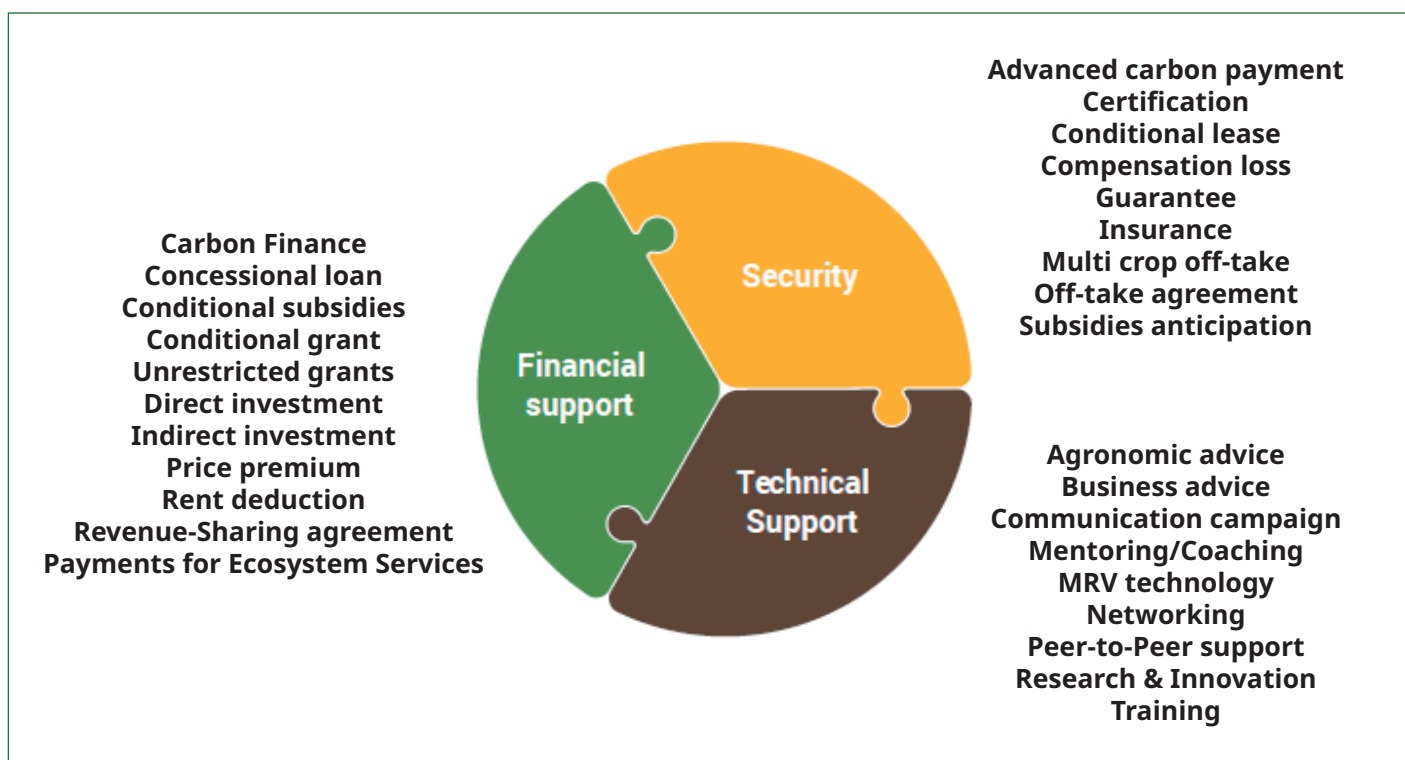


Guiding principles

In the workshop on this topic, we started by aligning on a definition³ of the incentive(s). That they “*are instruments used by the public and private sectors to encourage farmers to protect or enhance ecosystem services [soil] beneficial to them and others, while simultaneously improving the productivity and the competitiveness of the agricultural sector*”. Recent research⁴ shows that no single incentive is effective in isolation, and no individual instrument or scheme can single-handedly drive farmers towards transitioning to regenerative agricultural or agroecology, for example, while simultaneously enhancing the viability and attractiveness of their business models.

Given that there was a view in this workshop that individual incentives alone do not consistently yield positive environmental outcomes or enhance farmers’ business models—and their viability varies by context—there was an argument that it could be more effective to adopt a holistic approach when incentivizing the transition. Rather than focusing on individual instruments, the range of existing incentives could be grouped into three categories based on **farmers’ support needs** (which is also reflected in the illustration below):

- **Financing support** includes direct monetary transfers to farmers as well as the facilitation of potential financial benefits such as new revenue streams or cost reductions.
- **De-risking support** focuses on reducing the uncertainties and risks associated with both current and future financial statuses and asset values
- **Technical support** equips farmers with the essential knowledge and tools needed to implement and sustain new agricultural practices.



³ Piñeiro, V., Arias, J., Dürr, J., Elverdin, P., Ibañez, A.M., Kisengyere, A., Opazo, C.M., Owoo, N., Page, J.R., Prager, S.D. and Torero, M. (2020) A scoping review on incentives for adoption of sustainable agricultural practices and their outcomes. *Nature Sustainability* 3, 809–820, available at: <https://doi.org/10.1038/s41893-020-00617-y>

⁴ Vanzini, M., Limni, S., Pallara, F and Dr. Guarnaschelli, S (2024), Incentivising the transition to soil-health, regenerative farming practices. *Leveraging Blended Finance for effective incentives design*, KOIS, 39p - Discussion paper developed as part of the **SoilValues** project, funded by the European Union. Views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European Union or the European Research Executive Agency (REA). Neither the European Union nor the granting authority can be held responsible for them. Grant Agreement: 101091308, DOI 10.5281/zenodo.13771540.

In addition, workshop contributors and participants suggested that the following guiding principles would also be important.

Outcome-Based and Inclusive Incentives

- Private incentives should be outcome-based wherever possible and aligned with and complementary to public funding.
- Public funding remains critical to delivering improved outcomes for nature and biodiversity.
- Incentive schemes must be inclusive, enabling participation from all types of farmers and recognising the 'early movers'.
- Public money can be used strategically to de-risk transitions, such as those to regenerative agriculture and agroforestry.

Robust Governance and Quality Assurance

- A simple yet scientifically robust governance or regulatory framework should ensure a minimum quality threshold.
- Incentive systems must be grounded in proven methodologies and market-tested practices.
- These systems should include defined action plans and measurable, reportable, and independently verifiable outcomes

Proportional and Enabling Regulation

- Regulation should serve to enable and de-risk investment and innovation.

Collaborative Public-Private Partnerships

- Public authorities, including accounting standards bodies, must collaborate closely with the private sector—particularly ecosystem service market developers—to build capacity and willingness to pay or invest in private incentives both within and beyond the agri-food value chain.

Alignment with Strategic Frameworks

- All public and private incentives should be aligned with the new Benchmarking system to ensure a consistent focus on shared priorities.



Significant growth in both the range and maturity of private market incentives

Private market incentives have evolved rapidly with growing diversity and maturity across mechanisms that support farmers in transitioning to regenerative agriculture or agroecology. When mapped against the three categories of farmer support—financing, de-risking, and technical assistance—workshop contributors and participants identified the following emerging patterns:

Private financing support

- Offsetting credits, which may include soil carbon, as well as emerging biodiversity and water credits;
- Insetting credits, where companies within the value chain offer price premiums for outcomes linked to sustainable sourcing and regenerative practices.

De-risking support

Farmers are beginning to capitalize on data generated through participation in private incentive programs such as the ones above which can be used to:

- Support grant applications;
- Unlock favourable financing or insurance rates (discussed in the following chapter); and
- Enable data-sharing agreements with aggregators.

However, workshop participants and contributors also recognised that challenges remain regarding data ownership and the extent to which private finance in sustainable agriculture can scale effectively.

Technical support

Companies and intermediaries involved in sustainable sourcing often provide agronomic support or partner with technical service providers to help farmers implement and measure regenerative practices. Indeed, the workshop recognised that the growing demand for measurable and reportable outcomes is also pushing the need for farmers to access tools, training, and technical know-how that ensure compliance and performance.

Moreover, the capacity and willingness of citizens to pay—whether as consumers through product choices or as taxpayers supporting public schemes—may be increasing. Early-mover companies and farmers are already seeing positive reinforcement from investors and financiers, who are drawn not only by sustainability ambitions but also by the potential for reduced supply chain and operational risks. This evolving market sentiment further strengthens the case for scaling up regenerative or agroecology practices through well-aligned, outcome-based incentives.



Focus and recommendations

As already mentioned, the discussion in the workshop clearly highlighted the fact no single actor, practice, incentive, financier or institution is capable of driving the transition alone. During our discussion in this workshop, several ideas were developed that could form part of what a mixed (blended) approach to financing the transition.

a) Focusing on farmers' needs, recognising the specificities of the local context, and combining practice (with known positive impact) and outcome-based targets is essential to ensure incentives are designed to effectively benefit both farmers as well as soil, water and biodiversity.

- Farmer-centric design - while investments in technologies and digital solutions may present higher returns and appeal to a wider range of stakeholders, they often overlook the immediate and critical needs of farmers embarking on this transformative journey. This farmer-centric approach involves identifying the challenges, understanding the needs, and tailoring support mechanisms consequently.
 - Place-based design - Focusing on the specificities of the context is key for effective incentives as outcomes can vary widely depending on the local environment, climate, soil type, crop choice, and socioeconomic conditions in and around the farm.
 - Practice and outcome-based design - Mixing incentives targets is essential to enhance effectiveness, i.e., adoption, soil health, and economic benefits.

b) Mixing financing, de-risking, and technical support is crucial to equip farmers with the necessary resources to navigate the challenges of the initial stages of the transition.

- Technical assistance provides the requisite knowledge and tools for farmers to develop and implement effective transition plans.
- Financing is essential given that the transition involves substantial additional costs, while farmers often grapple with the financial constraints of previous investments and existing sunk costs that limit their ability to invest.
- De-risking is necessary in the transition to regenerative agriculture or agroecology, particularly in the early stages, as farmers invest in the benefits of the new practices they adopt, some of which may be immediate whilst others may take longer to emerge.

- c) Aggregating farmers and enabling multi-stakeholder collaboration is key** for successfully scaling incentives
- Bringing farmers together in producer organisations reduces overall investment risks and promotes positive social dynamics, including peer-to-peer influence through knowledge exchange and community development.
 - Multi-stakeholder collaboration to incentivise regenerative, soil-health farming practices is pivotal in ensuring all crops within the rotation are valued and for spreading risks across different actors while simultaneously aligning diverse interests and leveraging their unique strengths and efficiencies.
- d) Clear Market Signals Through Benchmarking Systems**
- Establishing benchmarking systems is key to sending clear market signals about what is most valued. These systems should help align public and private incentives, providing clarity and direction to farmers, buyers, and financial institutions alike.
 - A simplified, science-based regulatory framework is needed to ensure integrity and quality without stifling innovation. Governance should aim to enable and incentivise the scalability of private incentive programs and avoid unnecessary complexity. The framework must be adaptive, evolving with scientific insights, data availability, and market development, and be capable of distinguishing between insetting and offsetting.
 - Rather than reinventing the wheel, governance and incentive structures should draw on credible, market-driven approaches developed by initiatives such as the Science Based Targets Initiative (SBTi), Land Sector and Removals Guidance (LSRG), and the Integrity Council for the Voluntary Carbon Market (ICVCM). These initiatives provide tested methodologies and frameworks that can be built upon for agricultural transitions.
- e) Establish an Independent EU-level coordinating Body**
- An EU-level independent entity is likely needed to drive farmer awareness and understanding of private incentive programs. This body should also clarify the interaction between these programs and public subsidies, while providing transparent revenue and profitability growth projections—including the long-term value of improved farm resilience and sustainability.



Overall thought

There is, rightly, much interest and excitement about the role that private incentives and investment can play in driving the transition and the workshop confirmed the need to stimulate and organize this in such a way that its impact can be maximized. At the same time, private incentives and investment are not a silver bullet and must work in hand with public money, such as the CAP, (as discussed in the previous chapter). We must therefore resist the temptation, given the pressure on public budgets, to put all the weight on the shoulders of private incentives and investment. This is, perhaps, a concern that has been exacerbated by the communication on the MFF in the way it applies to agriculture and food.

Chapter 4

Leveraging private finance and additional ideas for de-risking the transition



Starting point

Overall, there was a consensus across the workshops that to catalyze and sustain the transition to a more resilient and sustainable agri-food system, it will also be necessary to explore alternative ways to increase the financial support available to farmers and land managers. This means looking beyond the public money available through the Common Agricultural Policy, (CAP) and private financial incentives from the value chain or the emerging eco-system service marketplace. Again, it was positive to see this also being raised in the context of the MFF proposal and its application to agriculture and food.

From our previous work in this area, it was clear for workshop participants and contributors that private financial institutions can and do have a role to play in financing the transition (and were encouraged to see this acknowledged in the Vision for the Future of Agriculture). Furthermore, during the workshop on this topic, additional ideas emerged for de-risking the transition which could also be explored.



Leveraging private finance

In recent years, there has been an increasing number of initiatives, including through public-private partnerships, to leverage the role that private financial institutions can play in the transition. One of the most encouraging, which was consistently referenced in our workshop on this topic, is the Growth and Sustainability Loan Scheme (GSLs) established and offered by the Strategic Banking Corporation of Ireland (SBCI). This benefits from a guarantee that has been provided by the European Investment Bank Group (EIB) and supported by the Irish Government. The scheme provides SMEs and Small Mid-Caps, including farmers and fishers, with the all-important long-term financing to either:

- encourage the growth and resilience of their business; or
- invest in climate action and environmental sustainability measures designed to improve their performance.

Loans are provided by private financial institutions and whilst rates vary between lenders they are reduced from standard rates. In addition, a further 0.25% discount can be applied to businesses who meet climate action or environmental sustainability criteria.

We have also seen and are encouraged by an increasing role played by the major insurance companies. Although there is clearly more work to do, these organizations clearly have the potential to impact the financing of the transition in the agri-food system in several ways:

- *directly support farmers and land managers* through lower premiums which reflect a lower insurance risk due to the increased resilience and productivity of their farms, (from adoption of regenerative agriculture practices), in the face of climatic events or biodiversity losses.
- *indirectly support farmers and land managers* by reducing insurance premiums for businesses within and beyond the agri-food value chain, who are at risk from disruptions, due to climatic and environmental events, and who incentivize

farmers and land managers to take actions on their land which mitigate this risk. This could be:

- a downstream agri-business which needs to have surety of supply from cereals or oilseeds from fields that are more exposed to climatic or environmental events; or
- a tech company which invests in the adoption of regen ag practices by farmers to replenish watersheds in the vicinity of their data centers, (which typically have high rates of water consumption).

In our workshop on this topic, and in subsequent discussions, a concern was expressed about the willingness and ability of insurance and reinsurance companies to help a value chain company to define the insurance risk (arising from future events associated with nature and biodiversity loss) and then to subsequently price this in a way that takes account of the investment in the mitigation activities. This concern needs further exploration given the potential of reduced business insurance premiums to incentivize value chain investment that can benefit farmers and land managers.

Principles and pathways for leveraging private finance

- Access to sustainability-linked finance should be offered over the long-term to reflect the timescales in which the transition will occur and, as far as possible, be linked to verifiable outcomes (which underlines the importance of robust MRV;
 - in this context, outcomes may be defined as avoided or mitigated risks as well as improvements (for example in sustainable productivity or biodiversity restoration)
 - as well as new finance, it will be important to consider re-financing options for farmers and land managers investing in on-farm regenerative or sustainability actions
- Farmers and land managers are able to draw upon increasing amounts of data that demonstrate a return on investment from regenerative, or sustainability linked actions:
 - they should be supported and rewarded in organizing and presenting this to financial institutions.
 - those institutions should receive support for growing their capacity and capability to interpret the data and price the risk accordingly in terms of improved lending rates and/or insurance premiums.
- Financial institutions should be supported, especially insurance/reinsurance companies, should consider how to define insurable risks of value chain companies (from future events arising from nature and biodiversity loss) and subsequently to price those risks in ways which incentivize companies to invest in mitigation activities with farmers and land managers.
- Expand the scope of public-private partnerships for finance or loan rates along the lines of the model adopted by the Strategic Banking Corporation of Ireland, which would become the norm rather than the exception.



De-risking the transition – need for creative thinking

In addition to leveraging private finance, the workshop on this topic explored a number of other options that could contribute to de-risking the transition either by increasing the capacity to pay farmers and land-managers for their efforts or by making the initial investment in activities less risky.

To this end, a range of options were explored including:

- *'Regenerative Agriculture Green Bond'* – created either by public institutions or by private institutions but with public support: the proceeds would be dedicated to funding the adoption of regenerative agriculture practices and/ or offsetting risk of short-term yield losses or increased operating costs. It is well known that whilst many farmers are interested in making the transition to regenerative agriculture, they must carry the burden of the initial investment in new inputs or machinery and the potential short-term reductions in yield before they see any payback. Such a 'green bond', which should be attractive to both private and public investors, would help to mitigate and share the burden of these risks ahead of any payback from the CAP and/ or private mechanisms such as premiums for sustainably sourced crops or eco-system service market payments.
- *Creative use of tax system* – although tax is the responsibility of Member States, we explored the extent to which a more creative use of the tax system could also play a role in financing the transition either directly for farmers and land-managers and/or indirectly through value chain players. In our workshops, we explored several examples:
 - For farmers/land managers - tax credits against any profits for those who have maintained or improved the health of their soil or restored biodiversity, against the regional baseline, over a five-year period.
 - For upstream input/machinery providers - tax credits for increased R&D and sales of inputs (e.g. cover crop or pollinator seed mixes) or machinery (e.g. light seed drillers and/or precision farming tools) for regenerative agriculture programs;
 - For downstream off-takers - tax credits for increased sourcing of produce from regenerative agriculture and/or first-mover incentive programs for sourcing from new crops and/or geographies with low regen ag adoption rates.
- *Better use of accounting to rules to put 'nature on the balance sheet'* – IAS 38 already allows for the possibility for companies who invest in sustainability to account for the investment as an 'intangible asset' rather than a cost on the balance sheet. To do this, they must prove that they have a contractual right to a sustainability claim, such as a carbon removal/emission reduction or restoration of biodiversity; traceability of the claim; and a demonstrable impact on risk-mitigation/claimed benefit). This could, potentially, increase the capacity and willingness for agri-food value chain companies to invest in the adoption of regenerative agriculture or other nature-based solutions (with a strong link here to the Farmer or Land Manager's Natural Capital Account).

Principles & pathways for de-risking the transition

- As in other areas, these (and any other options) for de-risking the transition should be aligned with the priorities established by the Benchmarking System and linked to demonstrable and verifiable outcomes.
 - there could, however, be scope for a scale of incentives which increases from first adoption of practices to the eventual verifiable outcome.
- Creative use of the tax system is likely to require cross-EU Member State collaboration, at least at sub-regional level, to bring about and retain a 'level playing field' for the internal market. A taskforce could be established to explore this further.
- Similarly, taskforces could be established to explore how to scale a 'regenerative agriculture green bond' and to support companies in making use of IAS 38 accounting rule in the context of financing the agri-food system transition.

Conclusions

Reflections and insights



Throughout our workshops on financing the transition, participants and contributors were convinced that the transition to a sustainable and resilient European agri-food system represents both a strategic necessity, and one which is inextricably linked to the EU's competitiveness, security and defence, and a shared opportunity. As climate risks intensify and natural capital depletes, the cost of inaction grows steeper—yet so too does the potential return on well-designed, outcome-based interventions.

To accelerate this transformation, our workshops emphasised the need for EU policy to provide clear, coherent, and science-based frameworks that ensure integrity while enabling flexibility and innovation. This includes aligning public funds with proven market-driven mechanisms, and supporting scalable, blended incentive models that reflect local contexts and farmer realities. Leveraging existing initiatives—such as SBTi, LSRG, and ICVCM—can also fast-track implementation while avoiding duplication and ensuring the EU framework is consistent with the international approach.

At the same time, the private sector has a critical role to play in financing, de-risking, and delivering technical solutions. Investors, buyers, and supply chain actors are already moving to protect business continuity and respond to evolving market expectations around sustainability. Well-aligned incentives, robust benchmarking systems, and transparent data-sharing frameworks will further de-risk investment and create the conditions for long-term value creation.



It was also clear that the use of public money must evolve to focus on the outcomes that really matter and be increasingly linked to performance. For workshop participants and contributors, the status quo is not an option.

Ultimately, no single actor can deliver this transition alone. Public-private collaboration is not optional—it is essential. A coordinated approach that supports farmers with financing, knowledge, and confidence to adopt regenerative or agroecology farming will help unlock a future where Europe's agri-food sector is climate-resilient, economically competitive, and environmentally restorative.

The Forum and its partners would therefore urge EU institutions and private sector leaders to align policy ambition with practical tools and investment at scale. This remains a critical topic for the future development of the Multi-Annual Financial Framework, the Common Agricultural Policy and its implications for financing the transition of the agri-food system in the European Union. Together, we can ensure that Europe's farmers are equipped—not only to adapt to change—but to lead it.

We hope that the ideas that emerged from our discussions will be considered and can contribute to this outcome. For our part, we will continue to explore and deepen our understanding of those which emerged from this process, as well as others, and what it would take to accelerate them. We will do this in full recognition of the need for urgent action and take account of the current developments in the EU policy frameworks. But we must also take time to develop and implement the right and impactful changes which can endure and not just meet short-term political needs or special interests.

Other publications



The Forum published an earlier report in September 2023 on making and sustaining the transition to a more resilient, sustainable, climate smart and nature positive food and agriculture system.



The Forum's Call to Action is centred around seven commitments, which we believe to be essential to building a more resilient and sustainable food and agriculture system which is both climate smart and nature positive.

These reports and other publications can be found on www.forumforag.com

