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Opinion

Making Farms Organic Is Paying Off



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By **PETER COY**, *Opinion Writer*

I talked by phone on Thursday with Garrett Mussi as he was driving around 1,000 acres in California's San Joaquin Valley where he grows organic corn, squash, tomatoes, cucumbers, garlic and almonds using environmentally friendly methods. He spoke about being a good steward of the rich soil. He described using drip irrigation to conserve water and cover crops to add nitrogen to the soil and compost to enrich it.

Learning to farm in an organic way

"has been a good experience," he told me. "It definitely has its challenges, but farming overall is a challenge. I enjoy it. Always learning something new."

Mussi doesn't own any of the acres he tends so carefully. He is a tenant farmer. The owner of the land is Farmland LP, an investment fund that buys farmland and readies it for certification as organic by the U.S. Department of Agriculture: using pesticides sparingly, and only the least harmful kinds; minimizing erosion; sequestering carbon in the soil; rotating crops regularly and

providing habitats for butterflies, bees and other pollinators. Some organic farmers use ladybugs to eat aphids and owls to eat rodents.

What we have here is finance meeting farming and doing good, not evil.

Wall Street isn't always a friend of the land: Pension funds, insurance companies and other institutional investors that have begun to acquire U.S. farmland have not in general focused on regeneration. By focusing single-mindedly on maximizing crop yields, "they continue to degrade the underlying assets

that they should be improving or at least stabilizing,” David LeZaks, a senior fellow at the Croatan Institute in Durham, N.C., told me.

Even when farmers own the land, as is more often the case, the government-subsidized crop insurance system incentivizes them to stick with one crop — typically industrial corn or soybeans — and make heavy use of fertilizers and pesticides. “Since insurance companies must pay farmers when they lose crops due to extreme weather, farmers with crop insurance see no upside in using practices that can support the resilience of cropland against extreme weather events,” according to a report by the Conservation Finance Network produced in partnership with the Yale Center for Business and the Environment and Highstead, a non-profit conservation organization in Redding, Conn.

Companies such as Farmland LP are thinking further ahead while still keeping financial principles and profit in mind. Craig Wichner, the founder and managing partner of Farmland LP, is an unabashed capitalist who grew up in a family that owned and managed apartment buildings. “We would buy Class B apartment buildings and improve them — add gardens, safety lights and so on. Rents went up and vacancies went down,” he explained.

With Farmland LP, Wichner said, he’s simply applying the lessons of commercial real estate to agriculture: “At a very simple level, our business model is based on taking high-quality land that’s growing low-value crops and converting it to higher-value crops.” Farmland LP bought one 4,000-acre farm that grew mainly low-value alfalfa, feed corn and

processing tomatoes, assessed the ideal uses for different sections based on soil conditions and other factors, and chose to go with blueberries, olives, nuts, garden vegetables and pasture in various areas — all grown without heavy-duty pesticides.

Going organic isn’t cheap. Farmland LP has to stop using industrial-strength pesticides and fertilizers on land for three years before it can meet the U.S. Department of Agriculture’s standard for organic farming. Typically during that period the land is used as pasture. Even after the transition, costs are high: It’s expensive to pull weeds or to bring in sheep and goats to munch on them instead of relying on pesticides.

The upside is that consumers are willing to pay more for organically grown food. Farmland LP can rent out its fields for \$750 an acre on average, up from \$300 an acre before conversion, when they were used for commodity crops, Wichner said. The company leases about two-thirds of its land and farms the other third itself.

Farmland LP, founded in 2009 and based in Larkspur, Calif., owns about 15,000 acres in Northern California, Oregon and Washington. That sounds like a lot until you consider that there are nearly 900 million acres total that are farmed in the United States. Still, the regenerative agriculture sector, while small, is energized and growing. LeZaks gave me a long list of other companies working in the space, including Mad Agriculture, Dirt Capital Partners, Walden Mutual Bank, Agriculture Capital, Iroquois Valley Farmland REIT, Steward, S.L.M. Partners, Potlikker Capital and Foodshed Capital.

Financiers bring the capital to make the expensive transition to organic farming and then invite tenant farmers to operate the farms. Farmland LP has a subsidiary called Green Spring Farms that advises farmers on how to farm organically and to grow high-value crops that they aren’t familiar with. Its general manager, Kevin Lehar, has a degree in agricultural plant science and more than 30 years of experience. He advised Garrett Mussi, the farmer in the San Joaquin Valley, on how to grow garlic, a crop he’d never worked with before.

Having many farms under one owner allows for some neat tricks to increase production. On plots that Farmland LP operates itself, Green Spring Farms planted varieties of blueberries that ripen at different times so there’s a steady flow of output, and so the harvesting equipment can be shared. Or take tomatoes, which can’t be grown on the same plot for more than two years without a risk of soil-borne disease. Lehar can arrange for tomato farmers to stay busy every year by going back and forth between using their own property and using some of Farmland LP’s acreage.

For organic farming to catch on, young people will have to embrace it. But most can’t afford to because of the sky-high cost of agricultural land, as *The Times* reported in November, and the three-year wait before land can be certified as organic. It’s as if tech startups had to buy their own office buildings before they could go into business, Wichner told me. Investors in companies such as Farmland LP are essentially supplying farmers with the “office buildings” they need to work their food-producing magic.