Facing global food shortages, will ESG investing embrace sustainable gene-edited crops — or continue to reject biotech?

The need to feed an expanding population while cutting agriculture's high greenhouse gas emissions means farming must become more efficient. The increased use of genetic technology in seed manufacture is one solution. Yet GMOs remain a bugbear for many [Environmental, Social and Corporate Governance, or] ESG funds, which are wary of the unintended consequences of intervening in the food chain (the so-called precautionary principle).

The difficulty with this cautious position is that it becomes harder to maintain if it exacerbates the risk of a food crisis. And so some investors are now betting that ESG sentiment will shift.

Emissions from food production are becoming part of the corporate and investor conversation. French dairy giant Danone SA said last month it was targeting a 30% reduction in methane emissions from its fresh-milk supply chain by 2030. Others will come under pressure to make similar commitments. Index provider MSCI Inc. modified its ESG exclusion criteria last year, with the result that companies involved in GMOs may now be less likely to attract a red flag. Analysts also point to so-called gene editing being potentially more acceptable to the public and regulators than genetic modification, as GE involves altering a plant's DNA without introducing a foreign gene, as in GMOs.

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