

# Farmers as Empowered Intermediaries in Nature Markets?

## Policy insights for mutual approaches to governing inclusive nature markets

### A research collaboration between Middlesex University and partners

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Research Funded by: AgriFoodForNetZero+ (AFN) network - Scoping Study 2023-2024

NERC/IUK Integrating Finance and Biodiversity (IFB) Nature-Positive SME Finance project



## Policy recommendations - Farmers as Empowered Intermediaries in Natural Capital Markets?

### Introduction

Natural capital markets offer new income opportunities for farmers, including payments for carbon sequestration, water quality, biodiversity, soil health, and farm diversification. This briefing draws on a detailed study in partnership with the Environmental Farmers Group and explores the ways mutual-based approaches can offer alternative approaches in navigating these markets that empowers farmers.

These policy recommendations have been developed by researchers at Middlesex University based on extensive research on how the UK agri-food sector is engaging with nature markets. They are informed by two projects, an Agri-food for Net-zero Network (AFN+) scoping study grant 'Farmers as Empowered Intermediaries?' (in partnership with Environmental Farmers Group) and the SME Nature Positive Finance project, funded by the Natural Environment Research Council (NERC) and Innovate UK (IUK) under the Integrating Finance and Biodiversity Programme (IFB). The authors are grateful to the funders for enabling this research.

Our research identified several challenges facing agri-food mutual-based approaches in navigating natural capital markets:

1. **Issues with engaging in emerging nature markets** - the first mover challenge of navigating (and trusting) nature and carbon sequestration markets in their infancy, in addition to upfront costs to progress trades.
2. **Uncertainty or changing policy relating to nature markets** - particularly those related to planning policy and Biodiversity Net Gain - This has implications for the roles that different actors (public, private and mutuals) play and assuring mutual members and potential investors of the underlying trade and investment 'rules of the game'.
3. **The high cost of measurement for baselines** – evidencing change (i.e. uplift in biodiversity) comes with a cost (to landowners); progressing potential trades requires additional resource and medium-term investment which can be difficult to secure if not backed by large amounts of investment and grant support.
4. **Time horizons and managing conflicting priorities** – nature market contracts may last decades. This affects intergenerational perspectives (of farmers across generations of family farms), perceptions of capacity (i.e. of ageing farmers), and these are often weighed up against conflicting personal priorities. These longer-horizon issues can require time and resource to explain and communicate to members of mutuals and encourage them to translate interest into action.

Community-led delivery partners (such as farmer-led mutuals) can be alternative approaches in the nature market investment and wider supply chain landscape that also support local resilience and landscape-level nature recovery. Critically, to achieve this there is a need for policy integration and harmonisation across government (and different scales).

Below, we set out policy recommendations to respond to these issues and suggest ideas at the national, local and agri-food system level. These findings are relevant for Defra as well as other government departments including MHCLG (with its remit on planning), DCMS (with its remit on mutuals and social value) and HMRC and Treasury (with their remits on taxation and revenue raising). We hope these policy recommendations support these endeavours to empower farmers as intermediaries in the natural capital marketplace.

| Policy theme  | Issue   | Opportunity  | Policy recommendation  |
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| <p><b>Farmers' understanding of landscape scales interventions and the natural capital market</b></p> | <p>Some farmers may require support to approach landscape recovery or have concerns about taking land out of production.</p> <p>Bringing a nature recovery project forward can require significant upfront investment by a farmer or require grant funding.</p>   | <p>Find flexible ways that reward farmers to put their land forward for nature recovery that supports the multiple functions of land use.</p>  | <p>Design schemes that can be accessed by a wide range of farmers with funding models that support farmers to put land forward without being impeded by the upfront cost.</p> <p>Make explicit how farmers can contribute towards landscape-scale interventions by participating in natural capital markets.</p> <p>Recognise the additional biodiversity benefits of landscape-scale actions and provide financial incentives (especially where these can support rural economic development more broadly).</p> |
| <p><b>Helping farmers make long-term decisions</b></p>  | <p>Natural capital markets can require farmers to enter 30-year contracts or even longer (such as in nutrient neutrality markets).</p> <p>We identified:</p> <ul style="list-style-type: none"> <li>i. intergenerational differences in farm priorities (such as transferring family businesses to the next generation) impact on land and farm management priorities over the medium-long term</li> <li>ii. personal priorities impact on whether farmers feel sufficiently able to respond to nature market opportunities, even with the support</li> </ul> | <p>Greater information for farmers alongside clear opportunities to develop business models for natural capital that helps them weigh up competing priorities over different timescales.</p> | <p>Farmers should engage in intergenerational discussions on farm priorities before committing to any nature or environmental market contract.</p> <p>Mutual-led agrifood mutuals and other advisory services could further support farmers with long-term decisions, avoiding uncertainty about succession and clarify how the transfer of natural capital contracts will be possible if any future land sales.</p>   |

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|  | <p>of a farmer-led intermediary (such as the Environmental Farmers Group).</p>  |  |  |
| <p><b>Support baseline measurement of natural assets</b></p>                 | <p>Natural capital markets require rigorous baselines to show future additionality. This cost can be prohibitive for farmers needing a baseline before they enter an agreement.</p>   | <p>Wider availability of support for baselining could encourage a more equal footing for farmers to participate.</p>   | <p>Support for farmers for ecological surveys will be necessary as well as investment in technology that can lower the cost of ecological surveys.</p> <p>Ensure that farmers have access to freely available data on nature (i.e. through local record centres and partnerships with local authority ecology/planning teams).</p>   |
| <p><b>Reducing uncertainty from different local authority approaches</b></p> | <p>The planning process opens opportunity for natural capital markets such as BNG and Nutrient Neutrality in water quality (though the latter under review by government).</p> <p>Local authorities are increasingly delivering natural capital projects in-house which can be perceived (in the words on our one respondent) as "marking their own homework" and "playing gamekeeper and poacher at the same time". This also creates confusion for farmers and others supporting their involvement.</p> | <p>Clear guidance should be given to local authorities about how they support the natural capital markets rather than displacing activity in the private and mutuals sector.</p> | <p>Government could develop comprehensive guidance that clearly outlines how local authorities can effectively implement BNG with communities (and mutuals). For instance, integrating SMEs, social enterprises and community groups in their delivery (also potentially including neighbourhood planning groups). This can include measures that lock-in community benefit, broadening out the role of citizen science in collaboration with farmers and landowners. This can also be linked to funding mechanisms that communities (and farmers) can access local investment for nature recovery action and measurement.</p> |
| <p><b>Support for mutualism</b></p>  | <p>The government has the ambition to support natural capital markets and increase mutual</p>   | <p>Cooperative models for natural capital can be encouraged by</p>   | <p>Mutual collaboration models for landscape scale projects could be given greater weighting in assessing the added</p>  |

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|              | <p>activity. However, there is still more scope to support farm-led mutuals in this wider policy agenda.</p> | <p>advisory services and start-up funding that builds on existing forms of cooperation. For instance, farmer clusters, existing networks and well-established cooperatives.</p> | <p>value of a project, especially where projects have social/public good outcomes (similar to how community land trusts may be able to unlock development for affordable housing).</p> <p>There could be more explicit focus on strengthening mutual models across the agri-food supply chain, such as exploring how different cooperatives can work together to amplify mutual and/or social enterprise approaches in the agri-food and nature markets.</p> <p>Policy measures tied to the doubling mutual sector ambition of the Labour government could be explored with farmers and wider agri-food supply chains, in liaison with different government departments (i.e. DCMS and Defra).</p> |



The Agrifood for Net-zero Plus (AFN+/UKRI) funded scoping study examined the potential to scale mutualism and catchment-based environmental farmers networks to address net-zero and nature-positive approaches. The study focused on the UK Environmental Farmers Group (EFG) as a model of cooperative, scalable governance to help farmers navigate emerging natural capital markets, such as Biodiversity Net Gain (BNG), phosphate neutrality markets, as well as voluntary carbon and ESG markets.



The SME Nature positive Finance project examines Small and Medium-sized Enterprise (SME) finance markets in four high-risk environmental impact sectors: agri-food, infrastructure (planning and construction and freight and logistics), fashion and textiles. The project builds on previous research, which identified constraints and opportunities for SMEs and their financiers to account for climate and biodiversity in a cohesive and meaningful way. In this project, researchers from Middlesex University have been examining the different business models emerging from nature markets and BNG and how these intersect with local enterprise networks and planning regimes.

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For related project outputs:

<https://cusp.ac.uk/sme-finbio/>

<https://www.mdx.ac.uk/research/research-centres-and-groups/centre-for-enterprise-environment-and-development-research-ceedr/>