

Farmers as Empowered Intermediaries in Nature Markets?

Final Report

A research collaboration between Middlesex University and the Environmental Farming Group

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

Complemented by insights from the NERC/IUK Integrating Finance and Biodiversity (IFB) Nature-Positive SME Finance project



Empowering Farmers as Intermediaries?

Introduction

Natural capital markets and payment for ecosystem services offer new income opportunities for farmers and landowners. Farmers have a choice between public and/or private funding that can help diversify their income while meeting the UK's climate and nature-based targets.

The role of intermediaries in these markets is critical for providing advice, brokering contracts and supporting farmers to navigate the confusing landscape of carbon and nature-related payments. The role of advisors has been recognised as a key node in the [AFN+ agri-food ecosystem map](#).

There is, therefore, a need for additional research to probe into the role of advisors and intermediaries in supporting farmers to negotiate how they participate in voluntary and mandatory environmental markets and public payment schemes. The EFG case is particularly interesting as a new entrant model in the natural capital marketplace, as a farmer-led cooperative.

This project report summarises research about a mutual-based approach to navigating UK nature markets.

Project Purpose

This study focused on the UK Environmental Farmers Group (EFG) as a model of cooperative, scalable governance to help farmers navigate emerging natural capital markets, where they are paid for offsetting biodiversity loss (Biodiversity Net Gain (BNG), phosphate neutrality etc). Under this governance model, a farmer-led mutual represents its

members to seek trades with buyers of natural capital products (such as property developers).

The purpose of this research was to examine the potential to scale mutualism and catchment-based farmer networks to address net-zero and nature-positive approaches.

This report seeks to showcase the challenges and opportunities of mutual-based approaches and signpost to key insights arising from the EFG experience.

It is also accompanied by [policy recommendations](#) that aim to promote mutual-based approaches in natural capital markets, which we welcome you to read alongside this report.

Approach

The project explored whether mutual models can help farmers access natural capital markets, their scalability and their ability to promote just transitions in negotiating nature-based benefits.

Through interviews with the EFG and its farmer members, the Middlesex University research team investigated the challenges and opportunities faced by farmers in utilising farmer-led initiatives to navigate the complexities of private financing for carbon and nature-related goals.

Funders

The project was funded by the [Agrifood for Net-zero Plus](#) (AFN+/UKRI) funded scoping study and the research was carried out in 2024. The project team also benefited from additional insights from the wider research by Middlesex University Researchers on agri-food engagement with UK nature markets under the [SME Nature Positive Finance project](#) (part of the Integrating Finance and Biodiversity Programme, funded by NERC and IUK).

About the EFG

The EFG was established in 2022 in Hampshire and Wiltshire, encompassing the River Avon catchment. The group has grown quickly to cover wider geographic areas across England. As of October 2024, the EFG has 460 farmer members¹, covering a land mass of 257,000 hectares (as a comparison 2.3m hectares are under Agri-environment schemes in 2022, [Defra, 2024](#)).

The EFG is a natural capital cooperative (i.e. farmer members own the cooperative). It is organised commercially (and for environmental reasons) on a water management catchment basis).

The group acts as a one-stop shop, facilitating negotiations and ensuring equitable transitions for farmers to secure fair prices for the benefits derived from positive environmental land management practices. The EFG works with clusters, where appropriate, as it believes they have a key role in bringing farmers together to deliver local environmental priorities.

The group has three main activity areas:

- **Creating Farmer Scale** – by onboarding membership and providing knowledge exchange.
- **Trading Natural Capital** – by attracting buyers for ecosystem services provided by farmers.
- **Tracking Environmental Delivery** – by implementing catchment scale Conservation Plans.

The governance is structured through equalisation ‘cells’ at a (water) catchment level. This acts as a commercial wrapper (through equalisation, i.e. the

¹ Members tend to be from the catchment areas of the Dorset Stour, Hampshire Avon, Isle of Wight, Central England, Northern Lincolnshire, Poole Harbour Rivers, Test and Itchen, Exmore and other areas being targeted by the EFG

mechanism the EFG uses to distribute payments arising from trades to its members).

Environmental monitoring is also progressed at targets on a catchment basis and the creation of a Catchment Management Plan to support environmental action by farmers. This enables the group to broker the farm, cluster and trading levels of the nature market landscape.

Natural Capital Advisory (NCA) is contracted by the EFG to run its executive function, advise farmer members on natural capital opportunities and broker natural capital trades. NCA is a subsidiary of the environmental charity the Game and Wildlife Conservation Trust (GWCT), which was instrumental in establishing the [farm cluster model](#).

The EFG’s ‘equalisation model’ allows members (who pay an annual subscription) to benefit from any trade secured², which means members do not need to trade themselves to benefit from nature markets. The equalisation model is based on an ‘all in or out’ approach to secure buy-in into the cooperative model and to prevent bilateral discussions with credit purchasers from diluting the offer of the EFG (as a farmer-led scalable solution to supplying trades in the environmental markets).

Key research questions

As the EFG model is growing and scaling out, the board is reflecting on how members share the benefits of any natural capital trades. The research team sought to provide insight into the following questions:

1. To what extent can the EFG support farmer-led nature and climate-focused solutions?

² The EFG uses an equalisation model to structure its membership, based on an 88/9/3 share of benefits arising from trades.

2. What are the challenges and opportunities of scaling the EFG model?
3. What conditions allow cooperative models (i.e. proposed by the EFG) to scale effectively?

Location/scale

The study focused on understanding the views of the EFG board and its members, particularly around South West England, where the EFG was established.

Leveraging related research by the project team

The project has informed ongoing work by the Middlesex University research team: [SME Nature Positive Finance project](#), part of the NERC flagship [Integrating Finance and Biodiversity \(IFB\) programme](#); previous work conducted by the MDX research team with the Food Farming and Countryside Commission and the Royal Countryside Fund in 2023, see [our report](#). It also builds on research on [Social Enterprise in Food Systems](#) funded as part of the [Transforming UK Food Systems programme](#).

Outputs

The project reviewed a wide range of documentary evidence and conducted nine interviews with the EFG board and farmer members. This provided insights into the challenges and opportunities facing farmer-led intermediaries in the English nature and carbon market landscape, with important practice and policy considerations. Outputs include vignettes of farmer experiences, presentations to the EFG board, an academic paper on Biodiversity Net Gain approaches, and policy recommendations.

Timetable

Month/s (2024)	Activities carried out in this period
February	Made contacts with EFG farmers and notified them about the project
June - August	Interviews with EFG Board members and farmers, attending relevant events
August- November	Drafting and finalising the report Presenting findings to EFG

Interview questions:

Interviews with the EFG Board and EFG members included:

- What has your experience been in the EFG so far?
- What attracted you to the EFG model and how does it differ from your previous experiences or add value?
- Reflections on scaling up/stabilising current efforts and focus
- Reflections on working with different Local Planning Authorities, developers, stakeholders etc.
- The challenge of cooperative responses in natural capital markets
- Measurement of environmental impacts – issues and opportunities
- Support required by policy-makers
- Personal reflections on the EFG’s future trajectories and opportunities

Headline findings around our core areas of interest

A summary of issues in the scaling of farmer-led mutual models in the natural capital marketplace is set out below:

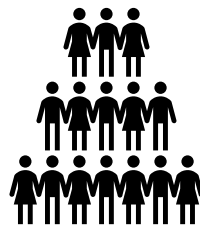
Mapping the Journey – EFG Incubation and Initiation

EFG Incubation



Markets as a moral issue - EFG values in a competitive marketplace

An intermediary body was seen to be required to fill the scale and capacity gaps of farmers to be empowered to respond to natural capital markets. Competitors were not seen to offer a fair model for farms to capitalise on natural capital markets, as one respondent said some intermediaries backed by private (i.e. venture capital) investors do not have a financially “strong offer” for farmers. The EFG sought to introduce the mutual business model as an opportunity to introduce cooperative logics in the nature marketplace. As such, this brings with it the responsibility of the EFG to act as custodians for mutual principles, with one EFG board member suggesting that ‘we need to be ‘whiter than white’’. The EFG model was thought by one respondent to be creating a new ‘feeling’, place-based dialogue, unlocking boundaries, and ‘goodwill’, which provide opportunities for alignment into mutual-based approaches in the natural capital marketplace (EFG Board Member).



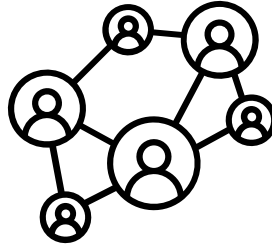
Operations and resourcing

At an operational level, Natural Capital Advisory (NCA) is the executive function of the EFG and is responsible for collecting membership fees.³ It is supported by the non-governmental organisation Game and Wildlife Conservancy Trust (GWCT) which provides the underlying services (i.e. comms, facilities, IT), or what one

³ This is similar to other farming entities have separate commercial spin-outs (e.g. the NFU has NFU Mutual and NFU Energy).

respondent termed “mothership services”. This helps the nascent NCA to lower its overheads and benefit from the operational experience of an established NGO. This was felt to be working well. The EFG board has many positive experiences and insights into the agri-food sector, commerce, cooperatives and environmental advocacy which it brings to the group.

EFG Enrolment



Awareness of the EFG and enrolment

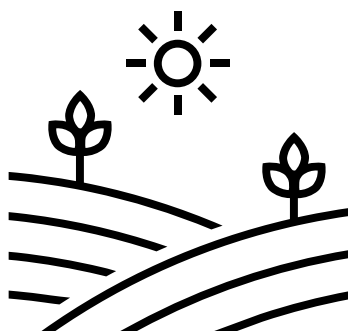
Farmers may come to know of the EFG in several ways:

- I. EFG membership requests (i.e. completing EFG membership registration of interest form) and publicity
- II. Word of mouth
- III. Engagement in farmer groups (e.g. farm clusters)
- IV. Sparking interest through an EFG or local authority environmental 'call for sites'

Existing farm clusters are a foundation for farmers to come together and can provide a local vehicle to help them mobilise commercially and access natural capital offset markets in the statutory and voluntary markets. Farm clusters were an active and “oven-ready group” ready to move to the next phase, “a logical extension to take it on” as part of the EFG model (EFG Board Member).

Thus, there was a convergence of farmer networks with different approaches (environmental, commercial, advisory, and sometimes including friendship ties from working together in previous roles) that blended to form the EFG. Pre-existing ties around Southwest and Southern England affected the initial scale/scaling of the EFG. This included farmer networks relating to the NFU, farm machinery businesses and farm clusters. However, this means that the EFG model is currently available to certain farm clusters and catchment areas, but not equally available to all. The EFG’s uniqueness is, in part, its scalability and its ability to add value through the growth of the cooperative, However, the decision to scale also affected resourcing to dedicate to trades in some of the initial equalisation cells, which has arguably impacted on trading.

Key Challenges for Mutual Natural Capital Initiatives



Farmers' understanding of the natural capital market

Exposure

There are several benefits to the model for members and nature market credit buyers. **EFG members** gain access to a pipeline of potential trades (including buyers and grant funding). This is formalised through heads of terms legal documents with the EFG. **Investors and developers** gain access to land with potential for environmental uplift and benefit from the EFG board engagement. Payments from trades (such as BNG) are shared using a structured equalisation principle with 88% to the landowner or land manager, 9% being shared with all members in a cell, and 3% going towards EFG running costs. Though, an EFG board member described how the cooperative values in the equalisation model were sometimes challenging to communicate.



Learning and knowledge exchange

Being in a larger group, there is constant exchange with mutual learning in new markets. However, some farmers still do not see the benefits of BNG and other nature market opportunities and are concerned about taking land out of production. One interviewee stated: "it may be that farmers are not motivated in that way". This is compounded by a lack of faith in nature and carbon markets (an issue for enrolment) and concern about greenwashing. One landowner took issue with the general approach of the financial commodification of nature and was averse to buying into a financial model that extracts profit from land that landowners and farmers have a duty of care to look after.

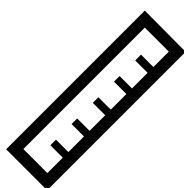
Local connectors are required to activate interest in natural capital markets. However, our interviews revealed some members still felt they lacked sufficient information to engage in trades and EFG activities. Farmers have varying levels of engagement and responsiveness, requiring the EFG to explore different communication channels and approaches to reach them. Email communications do not always work for all farmers, and it is hard to find a platform and communication method that is universally used (impacting on communication strategy and resourcing) (EFG Member). As such communications need to be tailored to actual farm practices and behaviours.



Time horizons

A decision to participate in natural capital markets (and the EFG in particular) might be affected by a variety of motivating factors (i.e. phase out of the EU Basic Payment Scheme, farm business resilience, diversification, environmental values, liaison with farmer groups, or succession issues – to name but a few). The implications of any decision to enter long-term contracts will likely affect future generations of family farms or other future owners.

Intergenerational horizons are often outside of the scope of human perception. Farmers may perceive EFG opportunities as theoretical and intangible as 30 years is most of a farmer's working life. This affects trust in the mechanics of the potential trades. Long-term horizons are a barrier to action (which may not sit with the mental landscapes of some of the farming community). This is a particular issue when future generations may not want to continue a farm business model that is required by BNG.



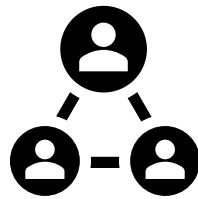
Measurement - cost as a deterrent to action

A key challenge for the EFG is obtaining comprehensive baseline data on the biodiversity, carbon, and nutrient levels across member farms. While they have paid for 45 farm baselines so far, the cost and time required to do this for all farms is a significant obstacle. However, some respondents suggested that when compared to expensive farm machinery, the investment in baselining is much less and with potentially high returns. However, this is not yet perceived by many farmers. This may be mitigated somewhat as technological advances bring down further the costs of ecological surveys.



Planning decision-making and mutual governance

The EFG is encountering a wide range of approaches from local authorities when it comes to BNG and nutrient trading. This means that the rollout of local authority schemes and processes related to BNG is uneven, patchy and often uncoordinated - despite the duty to cooperate on various issues between local authorities. Some local authorities have taken a more centralised approach, while others have struggled to establish effective local models. This lack of consistency creates challenges for the EFG in scaling its natural capital trading efforts. There is also an uneven playing field between public and other natural capital market entrants undercuts the potential for a fair process (and the emergence of just transition outcomes). Local Planning Authorities (LPAs) were accused of "marking their own homework" and "playing gamekeeper and poacher at the same time". For instance, purchasing strategic farmland to secure mitigation of phosphate credits to enable the attainment of councils' own housing targets. The recent [Planning Reform Working Paper: Development and Nature Recovery](#) and the proposed [Devolution proposals](#) will also likely affect the underlying governance, targets and strategies underpinning local authority responses to planning and nature recovery.



The challenge of cooperation

While a small pool of farmers is prepared to be first movers in nature markets, in many cases others seek pre-existing evidence (legitimacy) of the model working. Markets have been slow to act as people were waiting for legislation to be confirmed around BNG and Nutrient Neutrality offset projects. For instance, one EFG member said, some buyers of credits lose interest when trades are not secured quickly and as such, “trades are therefore falling away, and income is not going back into coop” to support its establishment.

Previous experiences of working in a cooperative recounted by interviewees saw farmers come together based on addressing a discrete (single) issue. If the purpose of an organisation changes or it becomes complex, it affects the cohesion of the response. The EFG’s focus on catchment plans was seen by some to muddy the water and compound an already complex landscape to navigate. A simpler approach was required by some, which competed with the ambition of some board members. This suggests that the integration of catchment management plans into the EFG model requires clarification.

There were suggestions that cooperation tends to be based on self-interest. Getting farmers to cooperate at a basic level seems to be an issue in some cases. Sharing and cooperative approaches can break down when

things get more difficult (e.g. sharing farm machinery). We also revealed issues affecting scale-up regarding isolationism and the practices of farming. For instance, one EFG Member reported that the cultural practices of working (sometimes in isolation) affect the propensity to engage in cooperative solutions. Furthermore, larger farms and estates feel they can seek opportunities on their own. As one EFG member stated, "You can't take cooperation for granted if people aren't interested". This raises concern about potential free-riders if farmers 'sit back and wait' rather than being active members (i.e. putting their land forward for trades that can support the financial resilience of the cooperative).

Building the mutual model could benefit fostering harmonisation with these other mutual/cooperative logics, building trust in alternative business models (as is common with some other cooperative approaches). For instance, there is potential for the EFG to link up with other cooperatives e.g. inputs and crop sales.



Constraints on scaling up

Due to the slowness of trades, the EFG is keen to move into the voluntary sector rather than relying on statutory approaches, such as BNG. One respondent said, "we see opportunities beyond the regulatory sector" and the group has started to forge positive partnerships in this area, including companies wanting to fund voluntary projects as part of their Environmental, Social and Governance (ESG) activities.

Conclusion

The EFG is an important and innovative alternative response to navigating nature markets by farmers, for farmers. It has embedded fairness and cooperative principles and values into its business model. However, the complexity and contradictions inherent in the evolving market landscape is impacting on its ability to stabilise and benefit from trades. Policy-making, such as the recent proposals to the Planning Reform and Nature Recovery White Paper, can learn much from the EFG experience. The cooperative model of the EFG is aligned with the government's commitment to support the mutuals sector and promote rural economic resilience. It is these forms of innovation that can blend public sector and private business models in ways that support just transitions and nature recovery.

Recommendations for future research

Further develop the project into a follow-up extensive funding opportunity based on the needs of the group.

Questions might include:

- How can mutual models be developed with transparency for members and increased participation?
- Would the mutual nature market benefit from greater cooperation between mutuals in the agri-food sector and why?
- Should mutual-led approaches that encourage landscape scale cooperation have a preferential weighting score when presenting to potential credit buyers?
- How can intergenerational voices be heard more in the EFG's strategy?
- How can the EFG's experiences feed into policy change under review by the government to structure-in cooperative and mutual approaches to nature recovery at different scales?

Next steps

- Draft and publish an academic paper
- Dissemination
- Presentation of policy brief ideas





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.

For more information contact a.burnett@mdx.ac.uk

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/>

Image front cover: Tractor ploughing field, Anthony Brown Adobe Stock Asset ID#: 50663178