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Full Article References

Learning from the past and embracing future opportunities: Perceptions of new Environmental Land Management Schemes and private nature markets

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Rationale

Farmland dominates the English landscape (1). Therefore, meeting the UK's climate and biodiversity targets will rely on farmer participation in environmental practises. The phasing out of European Union's Common Agricultural Policy subsidies has catalysed replacement funding schemes for environmental service delivery including the Environmental Land Management Schemes (ELMS) (2) alongside private nature markets for carbon, Biodiversity (e.g. Biodiversity Net Gain - BNG), Nutrient Neutrality (NN) and Natural Flood Management (NFM) (3). The links between private markets and ELMS is they increase funding for nature through long-term contracts and therefore play a key role within the ELMS Landscape Recovery (LR) scheme as well as providing alternative business opportunities for farmers.

Due to the novel nature of these markets, there is limited research into stakeholder perceptions on participation. There is, however, research on perceptions of previous agri-environmental schemes (AES) (4–6) and ELMS looking at collaboration (7), policy co-design (7–9), and initial responses to the policy shift (8).

For ELMS and new nature markets to be successful, there is a need to address previous implementation barriers to attract previous non-adopters and to build trust with previous AES participants. Furthermore, the novel nature of these markets and the need to replace Basic Payment Scheme (BPS) payments by English farmers, means that research on market perception and attitudes to participation is timely. This research gap is addressed using farmer and expert interviews to explore the barriers and opportunities of participation in these schemes.

Methodology

This research was approved by the University of East Anglia's Science Faculty Research Ethics Subcommittee (ETH2324-0496, December 2023).

A total 19 semi-structured interviews were completed with farmers/landowners (n=8) and advisory (legal, financial, and agricultural) stakeholders (n=11). Advisors had wide experience collaborating with farmers/landowners and natural capital markets/schemes, as shown in Table 1.

Interview transcripts were analysed using thematic analysis (10). Accompanying the semi-structured interview questions was a contextual questionnaire which provided background on the interviewees which enabled the cross referencing of attitudes and views towards nature markets by participant type.

Table 1: Interviewee information

Participant Pseudonym	Participant Background
Farmers and Land Managers	*Participants who own, tenant or contract land. Has the option to directly participate in ES markets.*
Farmer_1	Arable –previous participant in AES and SFI
Farmer_2	Arable - participant in previous AES, current participant in public AES and private nature markets.
Farmer_3	Mixed farm –previous AES, current participant in SFI and BNG.
Farmer_4	Mixed farm (inc dairy) –participant in previous AES, current participant in SFI and interest in private markets
Farmer_5	Mixed farm (inc poultry) - previous participant in AES, current participant and worker within in private carbon scheme, SFI participation, interest in BNG.
Farmer_6	Arable and agri-business –participant in previous AES, current participant in private carbon scheme
Farmer_7	Mixed farm (inc forestry) – previous AES participant, current participant in public AES and private nature markets
Farmer_8	Mixed farm (inc pigs) – previous nonparticipant – considering SFI.
Key Informants	*Knowledgeable experts in ES-markets not in an advisory position*
Key_informant_1	Private finance expert (commercial agricultural advisor)
Key_informant_2	Private finance expert (independent organisation)
Agricultural Advisors	*Farmer/land manager advisors*
Advisor_1	Commercial agricultural advisor
Advisor_2	County council
Advisor_3	Farming charity
Advisor_4 (2 persons)	Conservation charity
Advisor_5	Agri-business
Advisor_6	Conservation charity
Advisor_7	Rural union
Advisor_8	Water company

Results

Key factors that were found to affect scheme involvement were around design, integrity, collaboration, and policy uncertainty.

Design

A summary of the design findings is in Table 2.

Table 2: Summary of Design Findings

	Improves financial resilience		Good payment levels		Low transaction costs		Flexible scheme structure		Lenient regulation	
	Agree	Disagree	Agree	Disagree	Agree	Disagree	Agree	Disagree	Agree	Disagree
Previous AES	4		1	5		4		6		7
Environmental Land Management Schemes	2		6	3		4	11		3	
Carbon	1		1	4		1	2	2		
Biodiversity Net Gain			4	1		5		6		
Nutrient Neutrality			2					2		
Natural Flood Management				1		1				
Private Markets (General)	1		3	2				1		

*Numbers presented in the table are n values (out of the 18 participants).

Integrity

Underlying perceptions of market integrity are beliefs in the conceptual underpinning of schemes, with integrity concerns being most commonly discussed in context of the carbon market (n=11), BNG (n=10), and ELMS (n=4)

Market Concept: Integrity concerns surrounding the under regulation of ELMS were highlighted (n=5). Furthermore, LR was discussed positively by participants (n =5) particularly around connecting landscapes and paying farmers for higher tier actions. The concept of BNG was also discussed positively (n=4) although integrity concerns were highlighted (n=10) including relationships with developers, and baselining accuracy.

Carbon Market Risks: Integrity related issues such as the market being viewed as suspicious (n=2), a wild west (n =4), and enabling greenwashing (n=2), were the biggest barriers to involvement in the carbon market (n=11). Central to these barriers was carbon 'insetting' (n=8) with participants discussing that farms should be net-zero before selling carbon. These concerns were closely tied to worries about future market access (n=4).

Collaboration

Knowledge Exchange: Knowledge exchange (KE) was viewed as essential (n=16) with importance being placed on farmer-to-farmer KE (n=10). Influential farmers (n=6), events such as conferences and farm visits (n=8), the internet and popular media (n=4), and advisors were important to enable farmer-to-farmer KE and promote future collaboration between groups (n=6). Conservation organisations were also essential for the provision of ecological advice (n= 7) particularly as this expertise is not yet fully covered by traditional advisory roles such as agronomists (n=3). However, several participants noted the importance of a positive relationship with farmers, as provided by traditional advisory positions (n= 3).

Cultural Shift: Traditional attitudes and the current structure of the agricultural industry (n=12) causing farmer isolation and independence were discussed as a barrier to collaboration (n=5) both in the context of isolation amongst small farms, and in large farms that operate in competitive marketplaces. However, the farm cluster model is proving useful for breaking down these barriers, with collaboration becoming more appealing to farmers (n=5). Despite this, trust issues between farmers and conservation organisations (n=5) may sometimes be caused by preconceptions of stakeholder interests, but could be resolved through finding common ground and putting farmers' interests first.

Collaboration Finance: The importance of cluster finances was discussed (n=11), with bureaucratic difficulties relating to the government facilitation fund impacting cluster success. In contrast, private funding could increase cluster success through providing increased flexibility (n=2).

Uncertainty: was described by all participants as a key barrier to involvement, in particular BNG (n=9) and ELMS (n=8) with uncertainty having led to hesitation and increased participation related risks. Furthermore, slow policy release was tied to a lack of trust between farmers and governmental organisations. There were further concerns relating to the compatibility of public and private markets, including stacking rules and practical implementation (n=9) which will be increasingly important to unlock private finance for use in the Landscape Recovery Scheme.

Conclusions and Recommendations

Figure 1 illustrates the key themes and sub themes identified in the interviews. It represents a snapshot into the initial drivers and barriers to participation in new nature finance streams.

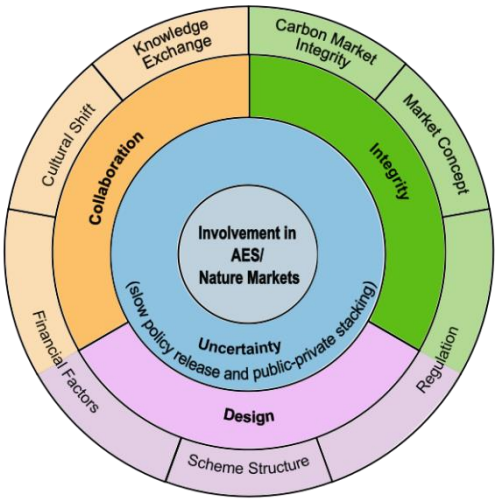

Figure 1: Key factors underpinning agri-environmental and nature market involvement as identified by study participants.

The findings show that previous researched determinants of participation in AES remain significant, including financial, scheme design (contract length, compliance rules), and collaboration factors (farmer-to-farmer knowledge exchange, advice provision and cultural shift). Additionally, new insights highlighted including the influence of market integrity, cluster finances, and questions surrounding public and private scheme stacking. Furthermore, the results point to a wider concern about policy uncertainty that has increased unease amongst farmers and landowners and disrupted early adoption.

These factors provide insights into initial scheme uptake, with the attractive payment rates and flexibility suggesting high adoption rates, although the environmental benefits of such a flexible scheme design remain uncertain. Additionally, the provision of public money for large scale conservation has resulted in dozens of LR projects. In contrast, privately funded scheme uptake is hindered by inflexible (and long) contracts, and uncertainty relating to their compatibility with the public schemes.

Recommendations are to address the following barriers to increase uptake:

- Clarification and implementation of **public private market stacking** to increase private sector involvement in nature recovery on farms.
- Collaborating with farmers to deliver improvements in the **design of long-term management agreements**.
- Achieving **a balance between strict and lenient compliance measures** to achieve the best outcomes for both farmers and the environment.
- Building **carbon market integrity**.
- Documentation and analysis of different **farm cluster collaboration and financing models**.
- A **stable policy environment** and **clear policies**.