ENVIRONMENTAL FARMERS GROUP

A co-operative for the Avon Catchment Farmer Clusters

The River Avon at Ringwood. © Nick Lucas

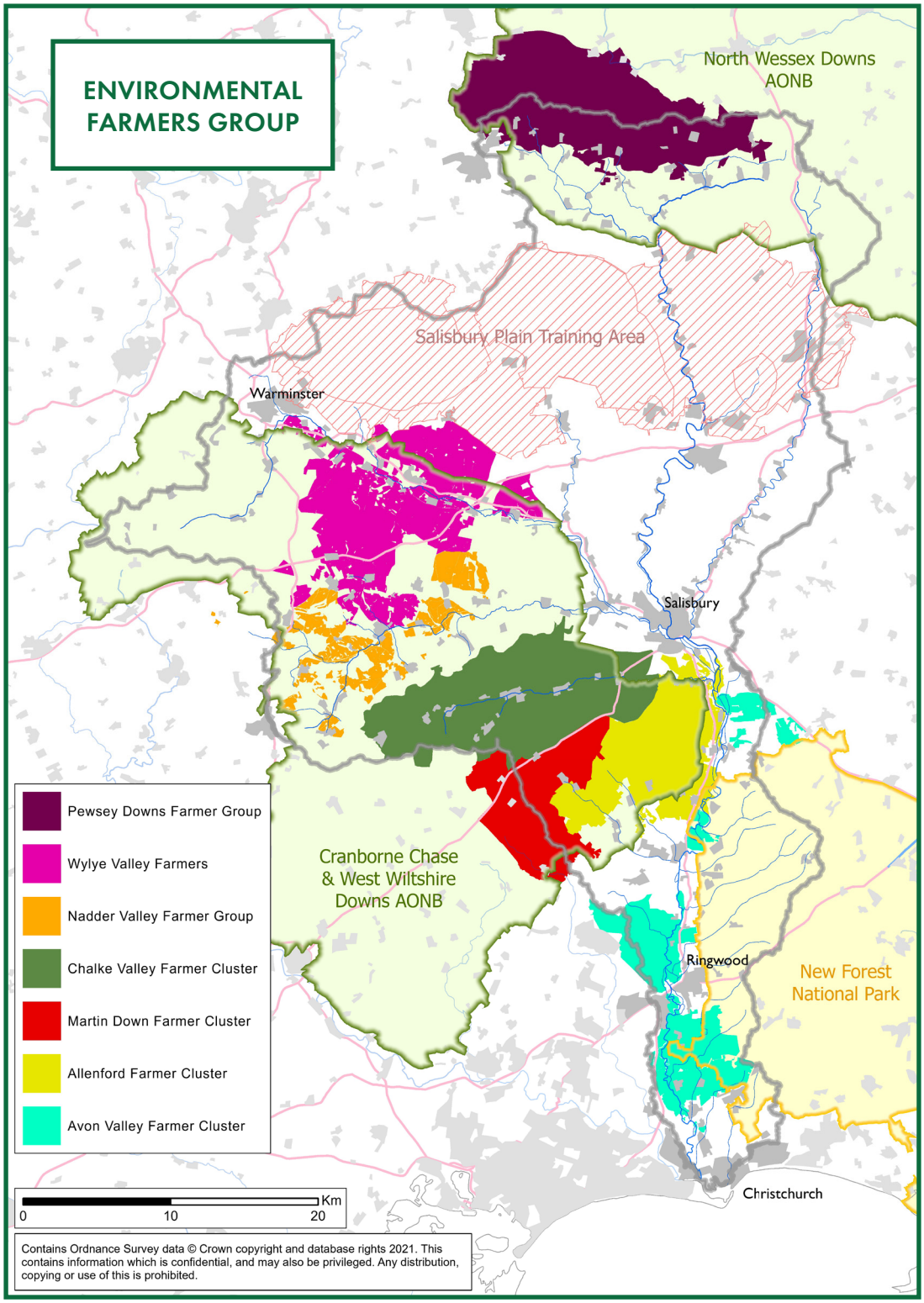
ENVIRONMENTAL
FARMERS GROUP

No farmer can fully realise the natural revenue potential of their land unless they gain access to wider environmental opportunities by working together as a group.

Join this Group to unlock this potential now, and benefit from new and valuable trading opportunities, run by farmers for farmers.

Who could be in this Group?

YOU and any other farmer broadly in the river Avon catchment area. Here's a map of the area covering 170,000 ha of Wiltshire and Hampshire, or about 3 times the area of the New Forest National Park. On it are marked existing Farmer Clusters (at least 137 farmers) which cover over one third of the catchment area.



A LETTER FROM THE SCOPING GROUP

Dear Cluster Leaders, Advisors and Farmers,

Environmental Farmers Group

In our lifetime, the future of agricultural subsidies and environmental schemes has never been less certain. Farmers and landowners are wondering where the alternative revenue will come from to plug the gap left by reduced BPS.

Natural Capital under the control of farmers and landowners has now acquired a significance and value unseen before. Future land valuations will probably include a Natural Capital element.

There is a high likelihood that many aspects of our Natural Capital including carbon, water quality, air quality and biodiversity net gain will be valuable and tradeable in the near future.

Sophisticated entities like district councils, water companies, commercial corporations, house builders, government agencies, banks and trading companies will want to be involved in these trades.

The deals will be complex, could last for up to 30 years and will need serious coordination. Wouldn't it be great if we took control of this from the start and avoided being picked off one by one for a low deal value? As trusted Cluster/ Group members you hold the keys to this.

We believe that there is a big opportunity for local Farmer Clusters and Groups in and around the Avon Catchment Area to create a formal joint organisation called **Environmental Farmers Group**, (run by its members and supported by the GWCT and NFU) in order that we might capture a fair share of the value arising as price setters. Formality will require a small contribution from members but access to stronger and larger trades through this body should amply reward the subscription cost.

Simply creating a unified body will attract grants early on to prime the pump. A single point of contact will make us attractive to government funding schemes and the perfect solution for commercial entities seeking early carbon trades, building permission biodiversity offsets and nutrients offsets.

The background to this thinking is contained in the information and Q & A's below. One of our working group will be sharing these ideas at your next Cluster meeting.

If we are to succeed we need to act fast, many other trading groups are in the process of being set up; they are purely commercial and wouldn't be doing this unless they foresaw a profit (at our expense). **Why not steal a march on these bodies by encouraging members to register now with their cluster leader or facilitator and prepare the Environmental Farmers Group for take-off?**

The attached leaflet expands on the detail and answers some of the questions members will undoubtedly have. We don't pretend to know all the answers but the working group is moving fast towards a position where farmers can take control of the direction of travel of this aspect of our agricultural future.

With best wishes,

Rob Shepherd *(Allenford Farmer Cluster)*
Chairman of the Scoping Group
Hallam Mills *(Avon Valley Farmer Cluster)*
Josh Stratton *(Wylye Valley Farmers)*
Tim Palmer *(Martin Down Farmer Cluster)*

Gavin Fauvel *(Martin Down Farmer Cluster)*
Simon Smart *(Chalke Valley Farmer Cluster, Pewsey and Wilton Farmer Groups)*
Teresa Dent CBE *(CEO, GWCT)*
Christopher Sparrow MRICS *(GWCT)*

Allenford cluster fields in mid June. © Peter Thompson

What's up?

The **BIG IDEA** is to offer local Farmer Clusters the ability to form a joint organisation. This would be run by farmers, with the aim of accessing funds to run landscape/catchment scale environmental projects.

What would that achieve?

We'd be capable of capturing extra value when we deal in the new *environmental trades (carbon or nutrient offsets (phosphate or nitrate)*, or *Biodiversity Net Gain* credit markets). The organisation would also help coordinate large-scale multi-Cluster environmental projects like Landscape Recovery or Local Nature Recovery. The layers of the various schemes might look like this.

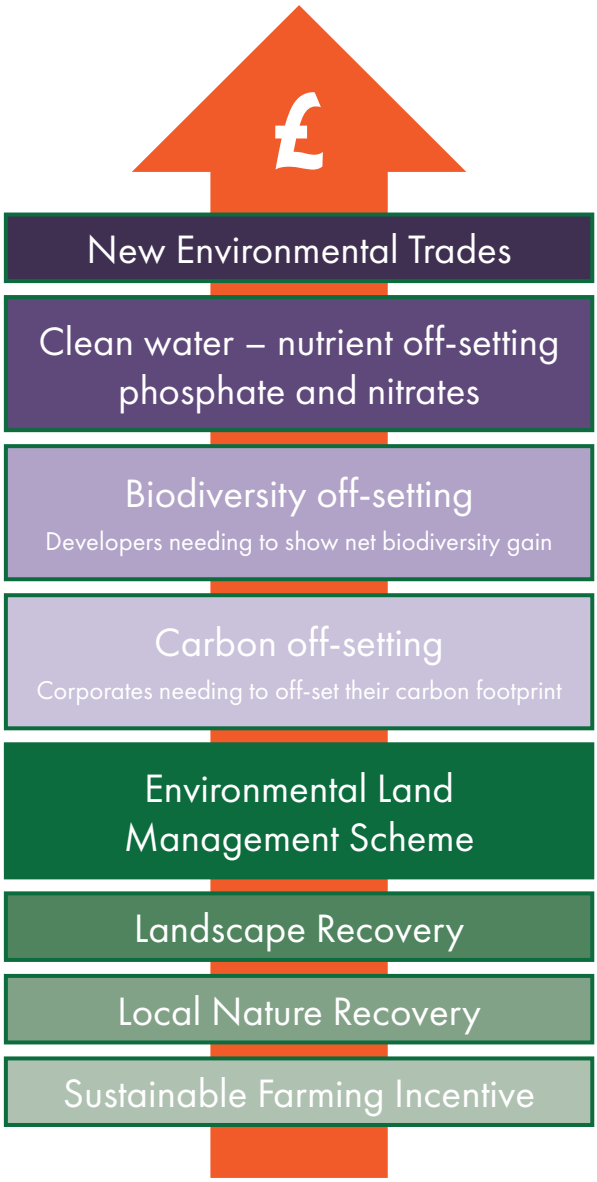


FIGURE 1
How the new ELM Scheme and Environmental trading might build income in layers.

What need is there for this?

These new environmental trades will be launched in a competitive market. A large and competent group of farmers, with an efficient and easy-to-do-business-with style, matched by strong technical credentials is likely to attract more environmental trading and offsetting business. The coalition gives the farmers the scale, expertise and negotiating power we need to succeed in this new world with its environmental business opportunities.

Lapwing chick

© Josh Stratton

Give me examples

In 2018 Wiltshire Council and New Forest Council set out a stringent approach to planning which requires that new developments in the Avon catchment are 'phosphate neutral' meaning that: *"the additional phosphorus load generated by new development after controls at source, reduction by treatment and/or off-setting measures leads to no net increase in the total phosphorus load discharged to the River Avon SAC."*

We can jointly provide solutions for house builders and other developers who desperately need to find a way to identify *biodiversity net gains* and *phosphate offsets* in order to continue building. The rewards for farmers could be great, as we provide a solution to their needs. Unlocking the house builders' stalemate allows us to seek these valuable deals.

A group of six farmers have been approached by a building consultant asking for a *nutrient (nitrate and phosphate) offset* scheme to help unblock the developments. Others have done exploratory carbon trades on a small scale.

What about my existing cluster?

The present Clusters and their advisors would coordinate access to local projects and this wider group. It is indeed very important that the existing schemes you are involved in are maintained as single-farm, income-earning initiatives for the present. When those schemes expire, a wider choice of options will become available to farmers, but many of these will entail cooperation on a larger scale.

What's in it for me?

For a small subscription fee, you and all the other 'Cluster' farmers in the river Avon Catchment area will gain access to larger, quicker and better trades. We will develop a *business model* that recognises active participants in the large scheme and rewards them for it whilst returning a smaller amount to those other farmers that do not actively trade.

We believe that joining EFG will be a wise choice. It will give a platform in which all of us learn quickly about what's going on in the area, and it will provide knowledge of how markets for carbon and biodiversity credits are developing, which are confusing and chaotic at the moment. We also seek to collect and organise as much information as we can about new developments and funding.

Are there any constraints?

For the business model to work efficiently, farmers would commit only to doing deals with outside entities through EFG. This is similar to grain cooperatives, with similar advantages of scale and negotiating power. It's attractive for people who need environmental goods from farmers only to deal with one point of contact, with the economies of scale that will result from this. There may be a size of deal below a certain cut-off point that remains local.

What stage is the EFG Working Group at?

We had very encouraging initial meetings supporting the concept in 2020, so decided to really work through the **BIG IDEA**. After just five meetings, a few farmers, working with the GWCT and NFU, very quickly saw the great potential of the larger EFG Cluster. We expanded into a Working Group. Right now, the idea is being shared with farmers in Clusters up and down the river Avon catchment area.

Remind me of the benefits?

- Protection of the most botanically prolific chalk stream in the world.
- Opens up landscape recovery and local nature partnership schemes.
- Improvement to Avon catchment and surrounding area at scale
- Less duplication of effort in understanding complex new trading markets.
- Cooperation to achieve better returns by group negotiation.
- Provides united strength in negotiations with large companies.
- Preserves vast knowledge-input of Cluster advisors.
- Allows farm/estate level schemes to continue (HLS/CSS).
- Single turnkey contact for investors, giving access to many farmers.
- Control of shared income via agreed model.
- Speeds up shared 'intel' about what is developing in our area.
- Create a focal point or brand that makes it easier to do business with us.
- Will help accelerate our progress towards carbon-zero farming required by the markets, government and society.

Barn owl

And what now?

Get involved at any level you like!

A. Very keen to get the full advantages, advise me of the terms as EFG develops.

B. I need further information, but am interested – maybe reading more will help.*

C. I still need convincing about the basics, can I talk to someone?

Harvest time and cover crop. © Peter Thompson

Thank you

*Now you ask, there's a lot on the Questions & Answers sheet. We just didn't want to bore you early on.

Q&A

PART I: THE ORIGINS OF THE IDEA

Why was the Group created?

What was the objective?

To consider how, collectively at considerable scale, farmers could collaborate to make the most of the post-Brexit income streams likely to become available in terms of natural capital, carbon accounting, and the new environmental trades.

Why can't farmers do this individually?

Because the organisations (water companies, environmental banks, district councils, commercial companies, house builders, Highways Agency etc.) need to be served with scale, simplicity of contact, professional environmental advice, an organisation with recognised scientific measurement and evaluation techniques, and robust back-office functions (legal, financial, HSE, data/IT).

Why aren't we waiting for Natural England, the Environment Authority or DEFRA to take on this coordination role?

The farmers have voiced an opinion that they would like to control their own income and what happens on their land, especially as these projects may be longer-term and require some continuity. There is arguably merit in having an independent group involved rather than a government authority.

How was the EFG started?

The beginning

In July 2020, Minette Batters (President NFU) and Teresa Dent (CEO of Game & Wildlife Conservation Trust, GWCT) suggested the concept to farmers in the catchment in a Teams meeting; that they consider building on the eight very successful Farmer Cluster-type groups already in the river Avon catchment area. There was another meeting in September 2020 to respond to continuing interest.

And then what?

A small *Scoping Group* was formed in April 2021, designed to test out ideas before submitting them to a Working Group of advisors and Cluster farmers on 18 June 2021. Those farmers and advisors agreed to open up these ideas to their individual groups; hence this leaflet. See **FIGURE 2** overleaf.

Silver-washed fritillary butterfly nectaring on flowers.

JULY 2020	**NFU and GWCT hosted a Teams meeting of Avon Catchment Farmers** 250 attended							
SEPT 2020		**Representatives of the eight Farmer Clusters in the Avon Catchment area met to discuss the idea** Interest was strong and it was agreed a Scoping Group would be needed						
APRIL 2021			**Scoping Group formed** Now know how the new environmental trades are likely to work. A good time to start work					
JUNE 2021	**Working Group Meeting** The Scoping Group briefed representatives of the Farmer Clusters in the Avon Catchment area. Agreed the proposal should be taken out to the groups to assess the level of interest at individual Cluster level							
GROUPS	LOWER AVON VALLEY	ALLENFORD	MARTIN DOWN	CHALKE VALLEY	PEWSEY	WILTON	WYLYE	NADDER
ADVISORS	LIZZIE GRAYSHON	MEGAN LOCK	MEGAN LOCK	LOUISE STRATTON	JEMMA BATTEN	SIMON SMART	HELEN PENGELLY	TRACY ADAMS
DATE TO BE AGREED	**Environmental Farmers Group** To be formed at a date to be agreed, if the eight Clusters decide to go ahead							

FIGURE 2
Timetable and main developments from July 2020 to possible launch date.

What are the guiding principles of the Environmental Farmers Group?

Vision

Farmers protecting and enhancing nature for the public good.

Mission

To harness scale and member cooperation to secure the best environmental results and financial returns for a wide range of natural capital goods and services.

Desired outcome to include:

- Biodiversity and species recovery.
- Baseline environmental data produced and owned by farmers.
- Clean water in the river Avon.
- Carbon zero farming by 2040.
- A fair financial return for the farmers delivering environmental goods and services.
- To be a highly credible brand and trusted trading partner with an excellent public image.

Honey bee hovering at red clover inflorescence.

What's happening in these new markets?

How developed are the markets?

The markets are chaotic and confusing at the moment, so it is a good time to form a group, so we can help set the agenda before they take off properly.

Why is it good to be amongst the first to form a group?

We will learn faster, attract new offers from entities that see we are active and organised.

What is the time frame?

The Environment Bill (which is the legislation that will kick off the Biodiversity Net Gain trading with developers) will become law in autumn 2021. Clearly if we are to build a group of the Farmer Clusters in the Avon catchment area we need to start work in earnest now.

Goldfinch feeding on the seeds of a teasel plant.

Skylark

Does the Group bring extra advantages to the farmer?

I am already a member of a cluster which undertakes joint bio-diversity projects, and already have my own CSS/HLS schemes – so what does this "Group" idea bring?

It is indeed very important that the existing schemes you have are maintained as single-farm income-earning initiatives for the present. It is likely that when those schemes expire, a wider choice of options will become available to farmers.

What sort of opportunities are we likely to have?

We have the ability to identify significant ELM opportunities on a landscape scale, plus new environmental trades for *carbon and nutrient offsetting, and biodiversity gain.*

How would we organise ourselves?

How do we expect to bring together the expertise to run these new and quite complex schemes?

We already have a team of very good environmental advisors working with us (see **FIGURE 2**). Additionally, we have identified the Game & Wildlife Conservation Trust (GWCT) as being a widely respected independent body capable of organising the skills necessary to succeed in these new markets and bring business in for farmers.

What is GWCT's expertise in biodiversity credits?

GWCT advisory undertook the first major biodiversity assessments for a large estate (the Duchy of Lancaster) starting in 2017 and continuing today (having moved from its 127,000 acres of farmland to its shoots and foreshore land this year). The audit was so novel it was 50% funded by Natural England (NE).

How do we fund the Group?

We propose asking for early applicants to the Group to pay a small amount per acre, currently set at 50p/acre. Later applicants may have to pay more.

How will the Environmental Farmers Group be constituted?

Having taken legal advice, the Scoping Group is recommending a Company Limited by Guarantee as the business vehicle. It will have a board made up of farmers and one or two external experts. It may have specialist sub-groups to help deliver specific areas of work.

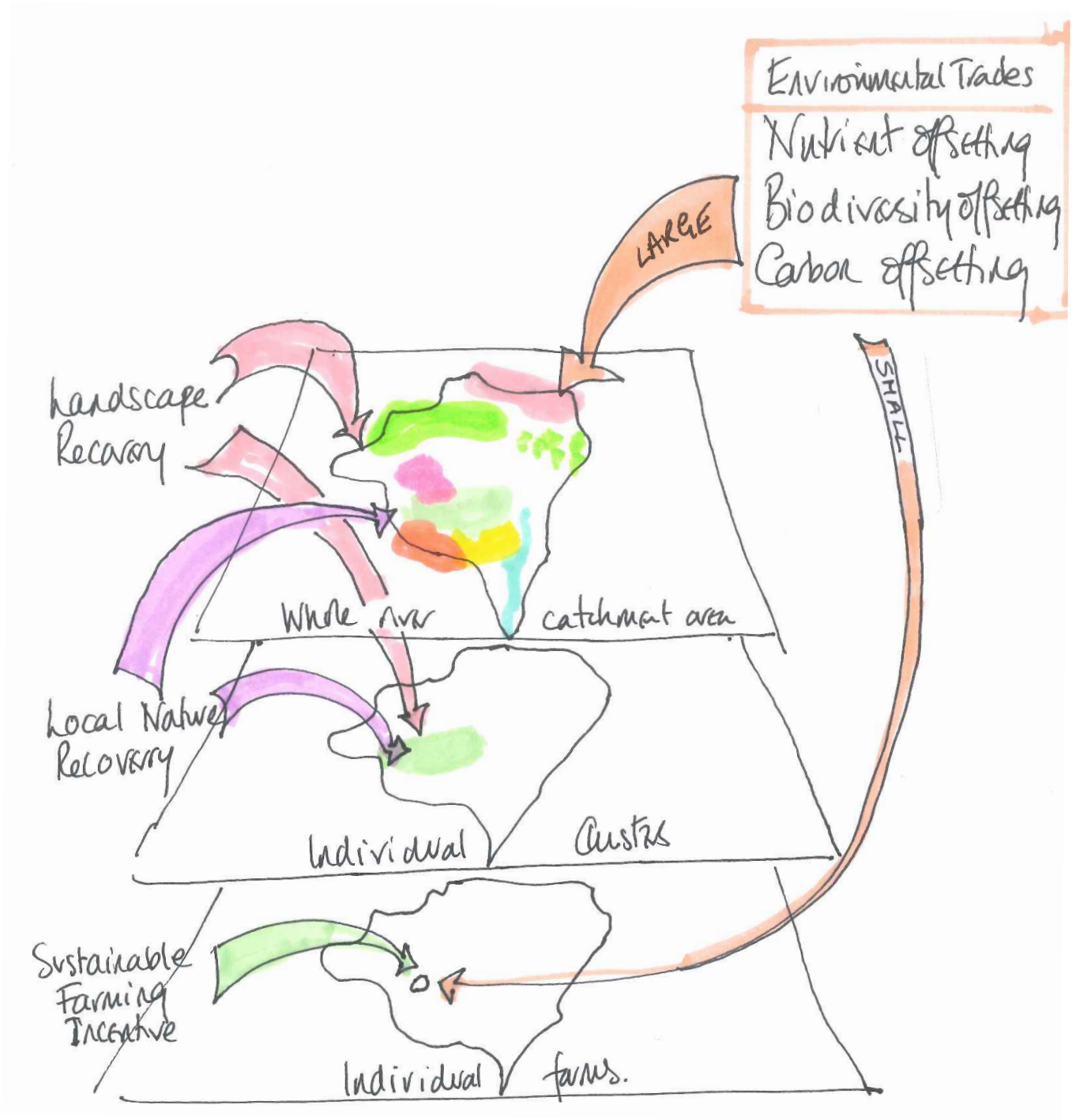


FIGURE 3
How the different types of new income may flow in at farmer, Cluster and EFG scale.

What do the terms "offset" and "credit trading" mean?

What types of environmental trades are there?

At the moment opportunities are developing for:

- Mitigating Carbon consumption when fossil fuels are used.
- Offsetting Biodiversity loss caused by new houses, roads, industrial premises.
- Phosphate reduction in water.
- Nitrate reduction in water.

How will these environmental trades work?

The aim is that the environmental impact of business and other human activities can be prevented, reduced or off-set by equivalent or enhanced gain elsewhere. This sequence of prevention first, then reduction, and finally off-set is called *the hierarchy*.

The off-setting requirement provides business opportunities for those that can enhance the environment they control or manage i.e. those who can provide the environmental gain; farmers and landowners are the sector best placed to do this.

To crystallise this as a business opportunity the environmental loss and the equivalent or greater gain has to be converted to a measurable environmental unit – a credit – which can then acquire an economic value.

The economic value is derived from the market but underpinned on one side by what it costs the landowner to provide the environmental gain (e.g. taking land out of food production to plant trees) and on the other side by what 'value' is unlocked for the business by virtue of the off-set (e.g. a developer securing a planning consent, or a Water Company avoiding the capital cost of a water treatment plant).

How typically would a farmer get ready to trade in these markets?

Biodiversity baseline auditing

Farmers can only trade a biodiversity gain (an improvement on their current level of biodiversity). NE launched Biodiversity *Metric 3.0* on *7* July 2021 to measure existing biodiversity, and allow a farmer to calculate how much 'gain' could be provided for a trade.

How does one create and measure biodiversity net gain (BNG)?

When landowners, for example, plant a hedge it delivers a BNG. The NE metric converts that into a number of biodiversity credits. A market is being developed whereby those credits can be traded. For example, property developers need to buy credits because the pending Environment Bill will make it an obligation that they provide a 10% net biodiversity gain when they develop land. Some local councils are already asking for 20%. That biodiversity gain should be provided first on-site (i.e. the site of the development itself with landscaping, gardens etc.), second off-site but in the vicinity, then third through government schemes. Once off-site, farms and estates, through a trade, can provide the biodiversity gain.

Brokering legally-required BNG trades

We will act as a broker between the supplier of biodiversity credits (the farmers and landowners) and the buyers (the developers who have to buy biodiversity credits to secure planning consent for development), e.g. the Highways Agency or a house builder.

Brokering voluntary biodiversity and other offsetting

We believe we can develop a voluntary market (i.e. not a requirement of the Environment Bill) for BNG, carbon, and possibly nitrate and phosphate offsetting with large corporates, water companies etc. wishing to improve their environmental performance and offset their carbon emissions.

Providing new GWCT carbon credit calculators

Currently there are only two national carbon credit calculators, for peatland and tree planting. Neither is very farmer-friendly. GWCT has the scientific expertise to create new, potentially more attractive calculators for farmers; hedgerow planting and management, arable conversion to grassland, and so on.

How do we describe the process?

GWCT has described a series of steps which allows a farmer first to understand his/her farm's existing Natural Capital, and then to engage in the Natural Capital marketplace.

STEP 1 Biodiversity Audit to verify the baseline on *Biodiversity Metric 3.0* (BM3.0). This provides a baseline credit quantum.

STEP 2 Identify Biodiversity Gain 1 – opportunities for biodiversity gain without taking land out of agriculture – and quantify using BM3.0. Provides tradable credit 'headroom'.

STEP 3 Identify Biodiversity Gain 2 – opportunities for biodiversity gains in place of agriculture. Provides a further 'funnel' of tradable credits.

STEP 4 Value, then sell or lease biodiversity credits to appropriate parties.

STEP 5 Monitor the performance of the biodiversity gain and report on the same to the relevant parties i.e. purchaser, the estate and the Local or County Planning Authority. This will be needed for the 'term' of the trade (which might vary, but likely to be 30-35 years).

So, how is this market being formed?

What is "Natural Capital"?

It is the world's stocks of natural assets that include geology, soil, air, water and all living things; those assets provided by nature with the capacity to generate goods and services. The benefits provided by Natural Capital (NC) include clean air, food, water, energy, shelter, medicine, and the raw materials used in creating products. It also provides less obvious benefits such as flood defence, climate regulation, pollination and recreation.

The point of NC is that an economic value is ascribed to the provision of these assets; value lies at the heart of the concept. Assessing the value of changes in NC and services it provides is fundamental to deciding how and where funds should be spent to restore, maintain, and manage the natural environment.

How this value and funding will move onto farms in future is not entirely clear, but already being part of Farmer Cluster brings recognition for CSS points and reward for wider landscape impacts, so we expect this trend to continue.

There is a risk that those who have worked hard to create a higher environmental baseline may be less rewarded; this seems perverse, and we will be working with NFU and GWCT to ask Government to change that thinking.

What are the tradable environmental units?

Carbon

These are called Carbon Credits, quantified by Carbon Codes. The Codes take scientific research on rates of carbon sequestration in say, growing trees, and converts that into a number of carbon credits, which can then be traded, or off-set, against a net tonnage of carbon used by a business.

The carbon codes are independently verified so that businesses can be confident they are accurate.

At present there are two carbon codes: Woodland (tree planting) and Peatland Code: *www.iucn-uk-peatlandprogramme.org/sites/default/files/header-images/PeatlandCode_v1.1_FINAL.pdf*

Both are verified by Organic Farmers and Growers. The GWCT is hoping to introduce further codes for hedgerows and arable land reverted to grassland.

Biodiversity

Natural England (NE) has devised a *Biodiversity Metric 3.0* which measures 'everything' (woodland, hedges, ditches, pollen and nectar mixes, arable crops, ponds) and turns it into biodiversity 'credits'.

Only 'gains' are tradeable. So, it would be difficult to create a biodiversity gain on pristine wildflower chalk downland; whilst converting a wheat field to chalk downland would create a significant gain.

This Code is effectively verified by government and the 2021 Westminster Environment Bill requires developers to provide 10% net gain on all developments (including Government development, e.g., roads, railways etc.).

Phosphate

This seems to be more a matter of negotiation with Water Companies, Local Authorities, Environment Agency etc. but we have identified the metrics used by the Wiltshire and New Forest Planning departments to assess the likely reductions to phosphate levels in the river Avon from changes to agricultural land use (say, from autumn-sown combinable crops to 'set-aside').

How can landowners provide the offset?

Carbon – through managing vegetation and soil so that it sequesters more carbon.

Biodiversity – through enhancing habitat which is the proxy Government is using for biodiversity. As an example, a farmer does not have to provide more lapwing; wet meadows are a proxy for more lapwing.

Phosphate – through reducing phosphate fertiliser application or providing new habitat to reduce soil run-off in a river catchment; both are proxies for deemed improvement in water quality which can permit development.

Nitrogen reduction in water – same principle as phosphates.

Long term monitoring

Any offsetting contract has to be 30/35 years and there will need to be verification and monitoring that the offsetting is still being provided, and that monitoring will have to be done by a reputable body. GWCT is in a good position to do this.

Further (very good) reading for the insomniac

The CLA have published an excellent guide to Natural Capital; find it online at: *www.cla.org.uk/library/natural-capital-introduction*.

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www.environmentalfarmersgroup.co.uk