REPORT

Institute for European Environmental Policy UK

LEVERAGING PRIVATE INVESTMENT IN SUSTAINABLE AGRICULTURE IN THE UK

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1 INTRODUCTION

In addressing the climate and ecological crises, the need for a transition to sustainable farming is essential. In the UK, agriculture is responsible for around 12% of total greenhouse gas emissions[i] and it is a major driver of biodiversity loss, soil erosion, flooding and pollution. However, this is not inevitable: there are farming practices and ancillary actions that can be taken that support sustainable practices including carbon sequestration, biodiversity, flood resilience, pollution prevention and more.

The cost of transition to sustainable farming cannot be borne by farmers alone. While some sustainable practices are low cost or even profitable for farmers, many farmers are tied into current practices in ways that make changes challenging and expensive. Furthermore, farmers have little power within food supply chains, typically being price takers who receive a very low portion of the final retail price,[ii] in a market dominated by large retailers, manufacturers and commodity traders. There is a significant variation in farmer income:[iii] while some profitable farms are well placed to take more sustainable practices, many farmers struggle to earn the cost of production. In this precarious financial situation, adopting new practices, even those that are ultimately profitable, can be or seem risky and costly. Financial incentives and ways to reduce risk are therefore key to enabling more sustainable farming.

Since its exit from the European Union, UK and devolved governments have, to varying degrees, sought to incentivise more environmentally sustainable farming by redesigning financial support for agriculture and linking it to actions and practices with environmentally positive outcomes. However, even with these changes in form and conditions of farm payments, the budgets allocated are insufficient to support the full cost of transition. In 2021, the Green Finance Institute and Eftec estimated that between £44 billion and £97 billion was needed on top of current public funding, if the UK is to meet all its environmental commitments.[iv] This figure includes all environmental actions needed, not just agricultural, but as farmland makes up around 70%[v] of the UK land mass, farming practices will inevitably be a large part of this.

The UK Government has committed £2.3bn per year by 2028/29[vi] to be spent on agriculture; the Scottish Government's commitment for agricultural spending for 2026/27 is £660 million;[vii] the overall budget for 2026/27 figure is £367m;[viii] and the Northern Ireland Executive has ring fenced £332.5 million for agri-food, fisheries and rural development in Northern Ireland.[ix]

Despite strong calls from the environmental and farming sectors, there is not currently the political will within Governments to increase the public budget available to fund this transition.[x]

In this context the UK Government's policies in England, and to a lesser extent devolved governments, are looking at how to bring in a larger flow of private sector investment to support more sustainable farming and specific environmental practices, alongside some associated changes in land use, including tree planting and habitat restoration. Indeed, Defra's 2023 Environmental Improvement Plan included a commitment to mobilise 'at least £500 million of private finance per year into nature's recovery in England by 2027, rising to more than £1 billion per year by 2030', which will necessarily include, but not be limited to actions by farmers.[xi] The 2026 Land Use Framework states that a transition to sustainable farming and nature recovery will require a far greater contribution from the private sector and it includes the intention that private investment take an increasing role in funding nature restoration by 2030.[xii]

Many other stakeholders are also exploring ways of delivering private finance for sustainable farming and nature recovery and various models have been developed and are already operational. These include those that offer ongoing financial incentives/compensation for environmental practices, debt or equity investments to enable capital spending and models that reduce risks to farmers.

Large food companies such as retailers and manufacturers are particularly well placed to lead efforts to fund sustainable farming due to their existing relationships with farmers, the benefit of increasing the resilience of their supply chains, and reporting obligations. Many have been piloting and implementing approaches to funding farmers in their supply chain.

Other sectors including finance, water, infrastructure, construction and more have contributed funds for sustainable farming, motivated by compliance requirements, downstream benefits from the actions taken, philanthropy and reputational benefits.

However, so far none of these are at the scale needed and to date policies to drive an increase

in private investment have been piecemeal with insufficient focus on motivating potential investors. Scaling up investment will require a comprehensive strategy and set of government policies aimed at:

1. Incentivising large food companies to invest more in the environmental sustainability of their supply chains.
2. Incentivising investment from other companies that benefit from the measures farmers take.
3. Ensuring integrity of claims about environmental standards by businesses, through high standards for measuring, reporting and verification (MRV) and governance; and
4. Providing the support necessary to enable farmers to take advantage of the various opportunities available.

This report builds on IEEP's 2025 EU- focused report[xiii] on *Leveraging Private Finance for the Transition to Sustainable Agriculture* but with a UK focus. It looks at the challenges that UK farmers face in transitioning to sustainable farming; the different models of private investment that address those barriers, looking separately at those funded by the food supply chain and other industries; the current policies that support private finance for sustainable farming; the challenges to expanding private investment; and policy recommendations tackling some of these barriers.

1.1 Research methods used and limitations of this report

Research for this report was primarily desk based, reviewing existing reports on the topic; relevant legislation and other information available online. In addition, interviews were conducted to feed into either the broad understanding of the topic or for specific case studies.

The topic of how to secure private funding to support sustainable agriculture is highly complex with many different models, from multiple actors, with pilots and approaches already happening, numerous challenges identified and solutions proposed. In addition, there are important debates about the risks of excessive reliance on the private sector, the appropriate balance between finance from the state and private sector and the efficiencies of each.

This report cannot do all these topics justice. It focuses principally on the potential to secure private funding from the food sectors, which is prioritised due to the fact that this is sector with the strongest existing link to agriculture. Payments for ecosystem services from other industries and credit markets are also covered as these are where a lot of government focus is. There has only a brief examination of debt, equity and insurance.

There are a number of reports which examine the topic of private funding for sustainable agriculture and nature, from which this report has drawn. These go into further detail on areas not covered by this report.

- IEEP's 2025 report which includes a comprehensive review of private finance models and numerous case studies, principally in the EU context.[xiv] This 2026 report builds on this and looks at how different actors could better collaborate.[xv]

- The Defra commissioned report led by the Green Finance Institute which convened a strategic working group from across farming, finance and the agrifood sector, which explored how the private sector could better support the transition to sustainable agriculture.[xvi]
- The Green Alliance work examining which policies could drive demand on the investor side, through additional obligations on the private sector.[xvii]
- The Food, Farming & Countryside Commission research on how farmers' interests are being protected in the emerging nature markets and what questions farmers should be asking as they navigate them.[xviii]
- WWF's road maps for financing regenerative agricultural transitions in England[xix] and Scotland.[xx]
- Future Economy Scotland's report on *Restoring Nature to Deliver a Just Transition to Net Zero*.[xxi]

1.2 What do we mean by sustainable agriculture?

There is no universally agreed definition of sustainable agriculture, but for the purpose of this report and in line with IEEP's 2025 report,[xxii] we include practices that contribute to outcomes including:

- The creation of diversified and biodiverse landscapes.
- Improved soil health and fertility.
- Lower greenhouse gas (GHG) emissions.
- Reduced intensity of livestock production, increased extensification, and better animal welfare.
- Decreased dependency on external inputs such as synthetic agrochemicals, fossil fuels, and irrigation.
- Enhanced circularity and resource efficiency within farming systems.[xxiii]

Systemic approaches including agroecology, regenerative agriculture, organic farming, and conservation agriculture are examples of approaches that typically achieve many of the above outcomes; but farmers may use practices that achieve them without explicitly subscribing to these systemic approaches.

1.3 Why some farmers need support to adopt and maintain sustainable practices

Adopting and maintaining more sustainable practices has many benefits for farmers. For example, hedgerow and tree planting not only sequesters carbon and reduces run off but also slows water flow reducing potential for farm flooding. Similarly, increasing soil organic matter and improving soil structure increases its resilience to drought and flooding, while improving

fertility. Reducing or ending use of synthetic fertilizers, bought in feed and pesticides makes farmers less dependent on inputs that have volatile prices, affected by international events.

However, despite the many benefits for farmers, changing practices and systems is not a simple matter and many farmers face barriers and risks in transitioning to more sustainable farming systems. The following barriers were identified by IEEP's 2025[xxiv] research and the Green Finance Institute:[xxv]

- Upfront costs for new equipment, inputs and training.
- Initial yield reduction during the transition period while ecosystems adjust.
- Potential reduction of income due to long term lower yields.
- Limited access to trusted advice.
- Unfair contracts and uncertainty over new markets.
- High transaction costs for individual farmers.
- Insufficient access to information about ecological baselines of land.
- Insecure land tenure and/or conditions imposed by landlords preventing tenant farmers from adopting particular policies.

Addressing these challenges costs money and in the context of limited political will to increase public funding, investment from private companies offers potential solutions.

It is important to note that access to funding, is not enough on its own. Broader know-how, minimum regulatory standards and willingness change practices may also be needed, but financial support can nonetheless go a long way in many cases.

2 TYPES OF PRIVATE FUNDING FOR SUSTAINABLE FARMING

There are several different models of private funding arrangements in the UK that seek to address the risks and challenges farmers face when adopting more sustainable approaches. These include payments for specific outcomes (such as carbon sequestration); price premiums available for sustainable systems (such as conversion to organic farming); mechanisms to reduce risk for farmers; and capital investment via green loans or equity investment. Table 1 provides a summary of the different models of private finance available for farmers. It is based on the 2025 research by IEEP,[xxvi] with some additions from own research.

For the purpose of this report, we have divided these into models which large food companies, such as manufacturers, retailers and major restaurant chains, may use to reduce the environmental impacts of their supply chains and those that are primarily funded by other sectors.

Table 1 Private Funding Models Summary

Model	*Description*	*Type of support*	*Examples*
Payments for Ecosystem Services	Farmers are paid for specific environmental outcomes which are identified, assigned a value and paid for, typically by a party that benefits through a voluntary contractual arrangement.	Additional farm income stream separate to farm product sales.	Soil Association Exchange. Water company Severn Trent's Environmental Protection Scheme.
Price Premiums	Additional amount paid for a product due to the environmental standards it is produced to.	Increased farmer income from farm product sales.	Organic Certified, Wildfarmed.
Voluntary Credit Markets	Farmers earn credits for environmental and climate benefits delivered on their land. These are voluntarily purchased by unconnected businesses/individuals to compensate for damage they have caused in their own operations.	Additional farm income stream separate to farm product sales.	Woodland Carbon Code, Peatland Code.
Compliance Markets	Credit market in which purchaser has an environmental obligation that can be met through funding actions by others.	Additional farm income stream separate to farm product sales.	Biodiversity Net Gain. Nutrient Neutrality.
Green Bonds	Bonds linked to specific projects that have green outcomes or bonds linked to sustainability targets.	Favourable capital investment - debt.	Hadrian Bond.
Sustainability Linked Loans	Loans to farmers that are on more favourable terms when linked to sustainability measures.	Favourable capital investment - debt.	Oxbury Transition Facility.

Table 1 Private Funding Models Summary (cont.)

Community Shares	Investment is raised from the local community and others via non-transferable, withdrawable shares.	Favourable investment - equity.	Kindling Trust
Transition Insurance	Schemes that cover losses that farmers may experience during transition, this could include a fixed per acre payment during the transition in the event that yields fall a below a certain level relative to historic production.	Risk reduction for farmer.	
Sustainable Leases	Landowners offer favourable long-term leases on condition that farmers use sustainable practices.	Land security and risk reduction.	National Trust. Ecological Land Cooperative.
Long Term Purchase Agreements	Purchase agreements in which the buyer commits to a long-term procurement agreement and/or offer a price floor that integrates the additional costs of sustainable practices.	Route to market security and risk reduction.	

2.1 Models funded by the food supply chain

Actors in the post-farmgate food supply chain are very well placed to support farmers in adopting and maintaining more sustainable practices. There is already a commercial relationship between farmers and those who buy their products and it is in the long-term interests of food companies to ensure the sustainability of their supply chains. Large food businesses can play a key role in setting standards: their procurement practices can incentivise best practice or drive standards down by pressuring farmers to maximise production at all costs.

One of the reasons that some farmers struggle to afford the costs of transitioning to more sustainable practices is that they make very low margins. Indeed, a survey[xxvii] by McCain found that a third of farmers had made no profit in the previous year while just 14% made more

than 10% profit. They are also in a very weak position relative to the food companies that buy from them.[xxviii] Due to the structure of supply chains and relative power within them, large retailers, manufacturers, wholesalers and restaurant chains are typically better resourced than the farmers that supply them. For those sustainable farming practices that require additional funding, these companies are therefore often better placed to provide those funds, than farmers themselves.

There are already many examples of food companies that are supporting sustainable farming in their supply chain using different models of support including price premiums, payments for ecosystem services and long-term purchase agreements. A catalogue of case studies of such arrangements was put together by IEEP in 2025.[xxix]

2.1.1 Price premiums

A premium price paid for a product due to the environmental standards it is produced to or specific measures implemented. This premium may be paid over and above the market price for specific environmental benefits or subject to separate market pricing.

In some cases, premium price products are subject to **separate market pricing**, organic being the most well-developed example of this with independent verification bodies. Major food companies can support organic farmers by paying a premium for certified produce. Although organic is the most well-established price premium there are other examples of traceable supply chains being developed and recognised labels on foods sold. These include LEAF Marque,[xxx] an environmental assurance system based on the sustainable farming principles of Integrated Farm Management; Pasture for Life,[xxxi] a certification scheme based on raising ruminant livestock on grassland; Demeter accreditation[xxxii] for biodynamic agriculture, a holistic ecological and ethical approach to agriculture, and more.[xxxiii]

2.1.1.1 **Case Study: Wildfarmed**

Wildfarmed[xxxiv] is a regenerative food and farming company, which has developed a segregated supply chain for regeneratively farmed wheat, oats and barley. There are over 80 farmers from across England supplying Wildfarmed. They are rewarded with premium prices in return for meeting certain standards. Initially these standards were a set of practices that were either mandated or prohibited. They have since evolved to be more outcome based with increasing use of technology and third-party certification to confirm if outcomes have been met. Specific outcomes pursued include improving soil health, increasing biodiversity, reducing carbon, and minimising water pollution. Certain prohibitions and requirements continue such as a ban on insecticides and fungicides (except for specific derogations) and limitations on herbicide use to early in the season.[xxxv]

Crucial to the Wildfarmed model is their segregated supply chain. Grain from multiple farms is typically consolidated for storage, trade and transportation. However, the Wildfarmed supply chain includes dedicated storage and transport arrangements, certification audit reports and supplier declarations confirming segregation practices, labelling and tracking systems.

Wildfarmed also works with water companies to get PES payments for their farmers.

2.1.1.2 Benefits of price premiums

Price premiums help address the higher costs of production. The payment for the premium comes from the product purchaser, meaning that environmental claims are directly linked to the supply chain of the product as opposed to the case with offsets (see **Section 2.2.3**). Price premiums are well placed to encourage holistic approaches to sustainable farming, such as organic, rather than just individual actions tackling single challenges.

2.1.1.3 Limitations and risks of price premiums

Higher prices paid are typically passed onto the consumer and therefore depend on willingness and ability to pay. In some cases, the premium is inflated by the retailer beyond what is paid to the farmer. For example, supermarkets have been known to increase the mark up on organic produce, meaning that much of the premium that consumers pay never makes it to the farmers.[xxxvi]

Other limitations include the fact that membership of certification schemes is voluntary; and that the need for certification and separate supply chains increases costs over and above the costs of the measures taken.

2.1.2 Payments for Ecosystem Services (PES) – Food industry funded

Payments for Ecosystem Services (PES) are schemes that monetise the ecosystem services resulting from specific actions. Publicly funded agri-environment are a form of PES, but in the private sector they are typically funded by parties that benefit from the actions taken, which in the context of farming, can include food companies.

Under PES schemes farmers and/or land managers are paid for specific environmental outcomes which are identified, assigned a value and paid for, typically by a party that benefits through a voluntary contractual arrangement.

Such payments can address the financial barrier to farmers adopting these practices by covering the additional costs and/or providing additional income in return for them.

2.1.2.1 Case Study: Soil Association Exchange

Soil Association Exchange (SAX)[xxxvii] supports farmers across the UK to access payments for ecosystem services by measuring, managing and improving environmental outcomes on their farms. It combines a digital platform with on-the-ground advisory support to help farmers assess key indicators such as soil health, biodiversity and water quality. Exchange also works with food retailers and other businesses that want to measure, track and fund improvements within their own supply chains. By connecting farm-level data with corporate investment, it enables businesses to support practical change on the ground. One example is Exchange Market - SAX's in-setting fund and marketplace - allowing farmers to generate verified environmental outcomes and offer them directly to buyers, including food businesses and financial institutions. These buyers can then invest in positive environmental change within their own supply chains or operations.

UK convenience retailer Co-op has launched[xxxviii] a fund to reward dairy, beef and lamb farmers in its supply chain for establishing environmental baselines, reducing carbon emissions and improving biodiversity. For its dairy farmers, Co-op is working with SAX to measure key environmental indicators, including soil health and biodiversity, and to support carbon reduction.

While Soil Association Exchange measures a broad range of environmental metrics, payments to date have largely focused on carbon emissions. This reflects growing pressure on large companies - particularly retailers - to measure and disclose greenhouse gas emissions across their value chains (known as "scope 3 emissions"). Expanding reporting requirements to include a wider set of environmental outcomes could help unlock greater private sector investment in areas such as biodiversity, soil health, water quality and animal welfare and is something SAX is exploring.

2.1.2.2 Benefits of PES

PES schemes provide additional income to farmers and thus provide a good way of incentivising good practices. By assigning a value to the environmental benefits delivered, they help internalise costs of such actions.

Where there is independent monitoring, verification and reporting (see Section 3.1.3) as in the Soil Association Exchange case study, PES schemes can provide a robust way for food companies to support environmental benefits in their supply chain, which in turn they can promote to consumers and board members.

2.1.2.3 Risks and limitations of PES from food companies

PES does not necessarily incentivise whole farm system change, instead focussing on specific actions that could sit alongside broader more damaging practices.

The robustness of PES schemes depends on robust monitoring, verification and reporting (see **Section 3.1.3**).

More research is needed to establish the proportion of food supplied that is supported by PES schemes.

2.1.3 Long-term purchase agreements and minimum prices

As noted above, the disparity in market power between farmers, and the retailers and food manufacturers who purchase their products can put farmers in a vulnerable position. The lack of long-term certainty over their ability to achieve a price that covers the cost of production, let alone the cost of transitioning to more sustainable practices, means that in the absence of additional funds or retailer standards, taking steps to transition can be perceived as being too high a risk for some farmers.

Purchase agreements in which sustainable practices are required, but the buyer commits to a long-term procurement agreement and/or offer a price floor that integrates the additional costs of these practices present a solution to this risk, giving farmers a predictable income. There may be a set minimum price or a minimum reference price (e.g. a certain amount above a published index).

2.1.3.1 Benefits of long-term purchase contracts

Long term contracts with minimum prices give farmers greater security of income. This makes them more economically resilient, which can in turn make them more willing to try out different approaches, including more sustainable practices.

2.1.3.2 Limitations and risks of long-term purchase contracts

While it reduces risk, it does not necessarily increase the farmers' income. The long-term security depends on a given supplier remaining solvent and the farmer being able to meet volumes and other standards on a sustained basis.

2.1.4 Policies relevant to driving investment from food companies

There are various current policies that support food companies' investment in the sustainability of their suppliers including organic support programmes, reporting obligations and supply chain fairness. This section explains existing policies and how they could be improved to increase investment.

2.1.4.1 Organic support schemes

Schemes providing financial support for organic farming are open or expected to reopen to farmers in England,[xxxix] Wales[xl] and Scotland[xli] on a per hectare basis.[1] The funding schemes distinguish between support payments for organic conversion and maintenance payments, with higher rates for the former. Organic conversion typically takes two years and during this time farmers' produce cannot be sold as "organic", meaning they are unable to earn a price premium, hence the need for a higher support rate.

The Scottish Government is also supporting organics from the demand side with its Organic Action Plan for 2026-2029 committing to using public procurement to drive demand.[xlii]

Welsh Government has also been using public procurement to drive demand for organic farming through the Welsh Veg into Schools Scheme. Under this, Welsh farmers receive a price premium for organic vegetables supplied to Welsh schools, with Welsh Government paying the difference between the price premium and the average non-organic price.

Organic conversion and maintenance payments were previously available in Northern Ireland under the Environmental Farming Scheme, but this has now closed.[xliii]

Despite these schemes, organic farming only makes up 3% of UK farmland. Overall organic land increased 1% across the UK, with significant differences across the different jurisdictions: Scotland achieved a 13% increase in organic farmland in 2024, reaching 131,500 hectares; in the same year organic farmland in Wales reduced by 11.6%; in England it reduced by 0.5% and Northern Ireland remained the same.[xliv]

2.1.4.2 Recommendation on organic support

∞ *UK and devolved governments should regularly share best practice to learn from each other in relation to organic support schemes and how to increase area of land under certification.*

2.1.4.3 Policies on supply chain fairness

In the UK regulations and adjudicators govern and assess supply chain fairness. These are currently limited, and do not include provisions for environmental measures. However, this governance regime demonstrates the potential for greater regulation of supply contracts. We recommend additional research into whether this governance regime could be expanded to ensure that supply contracts are structured in a way that maximises the farmers' ability to carry out sustainable practices.

1 *It should be noted that Welsh Government last did a funding round for organic conversion payments in 2025 and has not yet announced future rounds.*

The Groceries Supply Code of Practice regulates the top 14 retailers in the UK[2] to prevent food and drink suppliers, including farmers, from being treated unfairly. It applies to all supply agreements that these retailers enter into and regulates variation in contracts, late payments, promotions, delisting, dispute resolution and more.[xlv]

It is overseen and enforced by the Groceries Code Adjudicator, an independent regulatory body. The GCA focusses on ensuring fair treatment in relation to supply contracts including preventing retrospective changes to terms, ensuring transparency and clarity, protecting suppliers from unfair charges or deductions and monitoring how contracts are communicated and implemented. The Code and Adjudicator are credited with improving the margins and retailer behaviour; however, farmers still report many breaches and awareness of the code amongst relevant retailer staff remains low.[xlvi] Many farmers do not directly supply retailers and are therefore not covered by the GCA. Direct contracts with dairy farmers and pig are covered by the Agricultural Supply Chain Adjudicator (ASCA)[xlvii] and The Fair Dealing Obligation (Milk) Regulations 2024[xlviii] and The Fair Dealing Obligations (Pigs) Regulations 2025[xlix] respectively, but other farmers not selling direct to retailers still lack this protection.

The GCA is periodically reviewed with key parties consulted on their performance. The Government is currently reviewing[l] responses to its 2025 consultation, which included a request for views on the impact of the ASCA.

Neither adjudicator, nor the regulation, directly regulates supply contract lengths, share of final price or incentives for environmental actions by farmers.[li] Given the urgent need for a move to more sustainable farming practices, the remit of the adjudicators should be reviewed to explore if and how they could ensure contracts enable and promote sustainable farming. This should take account of contract lengths and share of final price and, where relevant, the terms of payments for environmental services or price premiums for sustainably produced products.

2.1.4.4 Recommendation on supply chain regulation

∞ **Expand supply contract regulation to cover sustainability:** *Consider how the role of the Grocery Code Adjudicator, the Agricultural Supply Chain Adjudicator and their respective codes and legislation could be expanded to include supply contract length, sustainability considerations, and the extent to which contracts enable farmers to carry out sustainable practices.*

2 *Aldi, Lidl, Morrisons, Tesco, Sainsbury's, Asda, Marks & Spencer, Ocado, Home Bargains, B&M, the Co-Op, Waitrose, Iceland, Amazon and their subsidiaries*

2.1.4.5 Reporting obligations on food companies

As noted in the Soil Association Exchange case study, obligations to report on emissions within supply chains are a key driver for food companies investing in sustainable farming in their supply chains. Sustainability reporting requirements on large companies in the UK, including food companies, are increasing. However, under current legislation supply chain reporting remains voluntary in the UK.

Greenhouse Gas Protocol: Scope 3 emissions

As noted in the Soil Association Exchange case study, obligations to report on emissions within supply chains are a driver for food companies investing in sustainable farming in their supply chains.

The Greenhouse Gas (GHG) Protocol provides the most widely recognised accounting standards for GHG emissions and categorises these into 3 'scopes':

- **Scope 1:** direct emissions from business operations.
- **Scope 2:** indirect emissions from electricity, heating and cooling.
- **Scope 3:** other indirect emissions including those from the supply chain.

Emissions from agriculture are a major part of Scope 3 emissions for food retailers, food manufacturers and other businesses that use agricultural products. Indeed, for food retailers, 71 % of greenhouse gas emissions in the food sector come from agriculture and land use change.[lii]

Those seeking to make reductions in their emissions will therefore need to focus on the farmers who supply them.

The **UK Sustainability Reporting Standards (UK SRS)** were announced in February 2026.[liii] They set out standards for large companies to report on the impact of environmental change on their companies, and the impact of their companies on the environment including the risks, opportunities, adaptations and mitigation actions in relation to greenhouse gas emissions and other environmental impacts of their operations.[liv] There are two sets of standards: SRS S1 covers broad sustainability requirements; while SRS S2 covers greenhouse gases specifically. This includes reporting standards for scope 1, 2 and 3 emissions and requires companies to explain how they will measure GHG emissions and how they will meet any GHG reduction targets. They are initially being introduced for use on a voluntary basis,[lv] with the Financial Conduct Authority (FCA) consulting[lvi] on proposals to require listed companies to report against UK SRS from 1 January 2027. However, the FCA are not proposing to require mandatory reporting of Scope 3 emissions data but rather allow[lvii] these to be reported on a 'comply or explain' basis.[lviii]

The UK SRS are based on, and align with, the International Sustainability Standards Board (ISSB) Sustainability Standards,[lix] also known as the IFRS Sustainability Disclosure Standards, which were designed to provide comparable sustainability information for investors. Scope 3 emissions reporting requirements are already mandatory for some companies in the EU (see below) and incentivising food companies to invest in the sustainability of their supply chains elsewhere.[lx]

Bringing in the UK SRS should increase transparency in supply chain sustainability. In 2025 two organisations, The Food Foundation and Feedback, researched[lxi] major food retailers' commitments on sustainability and their reporting approaches to sustainability and found that the huge variation in reporting frameworks made comparing and assessing their progress more challenging. The UK SRS presents an opportunity to standardise this, thus creating an incentive for companies to invest in the sustainability of their supply chains. However, the FSA and UK Government are missing an opportunity to improve this by not making Scope 3 reporting obligatory.

The voluntary nature of Scope 3 emissions proposals in the UK contrasts with the approach taken by the EU. Under the **Corporate Sustainability Reporting Directive (CSRD)**[lxii] companies within scope must report according to European Sustainability Reporting Standards (ESRS), which include Scope 3 reporting requirements. The CSRD also requires that companies have a "Paris Agreement Aligned" emissions reduction plan to meet net zero emissions by 2050. The UK Government is consulting on introducing similar "transition plan" requirements; however, current proposals would only apply this obligation to the financial sector and FTSE 100 companies. Given the significance of the food system in addressing climate change, this should be extended to cover all the major agri-food businesses, including those headquartered outside the UK. In addition to climate change, the ESRS includes within its scope, pollution, water and marine resources, biodiversity and ecosystems, resources use and circular economy, social, and governance standards.

The CSRD is being amended as part of the EU's 'Omnibus' Simplification programme. At the time of writing, the latest proposals[lxiii] from the European Commission include exempting all but the largest companies from CSRD reporting obligations.[lxiv]

The European Commission has said that it will develop voluntary standards and limit[lxv] what companies within that continue to be obligated by the CSRD can request of their suppliers, who are not. Nonetheless Scope 3 emissions reporting is expected to remain a requirement for those that are covered by the CSRD.[lxvi]

2.1.4.6 **Recommendation on reporting obligations:**

- **Strengthen environmental reporting and transistion plan obligations:**
  - a. *Make supply chain (Scope 3) emissions and broader environmental impacts reporting obligatory under UK SRS; and*
  - b. *Ensure obligation to publish Paris Agreement aligned net zero transition plans applies to all major UK food companies.*

2.1.5 *Additional policies needed: Targets and standards for food companies*

While increasing reporting obligations on greenhouse gas emissions and other environmental impacts should help drive more sustainable practices, agreed environmental targets and standards have even greater potential to do so.

There are currently no legally binding emissions reduction targets on the agri-food sector, despite the sector producing around a quarter of the UK's greenhouse gas emissions.[lxvii]

2.1.5.1 Voluntary commitments and their potential development

Food retailers and manufacturers are already setting environmental targets voluntarily; however, it is unclear whether they are meeting these.

The Science Based Targets Initiative (SBTI) has dedicated guidance[lxviii] for businesses in Forestry Land Use and Agriculture (FLAG) sectors for calculating both emissions and reductions based on the IPCC approach. The SBTI guidance notes that with respect to mitigation, the FLAG sector could contribute up to 37% of the emissions reductions and removals needed by 2030, and 20% by 2050.[lxix]

One example of a company following this is potato manufacturer McCain. Their 2024 Sustainability Report includes a commitment to reviewing its SBTI FLAG targets to be in-line with keeping emissions below 1.5 degrees.[lxx] The majority of their emissions are from potato production and as part of reducing these they provide financial incentives for their farmers to transition to regenerative practices.

The Food and Drink Federation, which represents food and drink manufacturers, has set out an environmental strategy, Ambition 2030,[lxxi] which covers net zero, nature restoration, sustainable commodities, food waste and packaging. Their Net Zero commitments include a 50% reduction in emissions across the agrifood supply chain by 2030 and net zero by 2040.

On the retail side, UK supermarkets have made many commitments with respect to net zero and nature but have consistently failed to meet them and/or publish data on their progress.[lxxii]

Research by Feedback and the Food Foundation[lxxiii] found that over the last decade UK Supermarkets have between them made up to 600 commitments on climate and the environment, but these are failing to translate into sufficient progress or public transparency. Voluntary mechanisms were found to be successful for Scope 1 and 2 emissions, which are generally considered much easier to address and represent a much lower proportion of emissions. However, other aspects were less consistent. Target setting and reporting was highly inconsistent between companies, and their voluntary actions and commitments are fragmented, inconsistent and poorly enforced. The authors find that successive governments have relied on the food industry to set its own targets, monitor and report on their own actions to meet them.

There are good examples of more rigorous approaches led by NGOs and food industry initiatives. A good example of this is the WWF Basket, in which the charity is working with

major UK supermarkets on seven key issues: climate, deforestation and habitat conversion, diets, agriculture, marine, packaging, and food loss and waste. There are sector wide targets and objectives for each of these issues and the overall aim is to halve the environmental impact of UK food baskets by 2030.[lxxiv] However, despite a good WWF reported in December 2025 that progress from retailers was stagnating.[lxxv]

The targets that have been adopted voluntarily by both food manufacturers and retailers suggest that industry believes that it is possible for them to meet those targets; however, meeting and reporting on them has been inconsistent. The setting of mandatory standards applicable to the largest companies, which together account for a significant share of the overall market, would raise standards across the sector. It would also protect the level playing field and provide a stronger foundation both for voluntary measures by the most progressive companies and for the support offered through government funded schemes. New standards could build on the targets set out in government commitments such as the EIP and would be introduced following a period of consultation. They could be phased in over time on an agreed timetable.

As noted above, the EU CSRD already mandates Paris Agreement aligned emissions reductions targets and net zero transition plans.

2.1.5.2 Recommendations on targets and standards for food companies

∞ *The UK Government should* **review uptake and success of voluntary environmental standards** *and, in partnership with the devolved authorities,* **examine** *the potential for* **setting binding standards** *and* **associated targets** *on the* **food sector** *that align with* **reduced emissions** *and increased* **sustainability within agriculture** *and land management.*

2.2 Non-food chain private investment models: Income supplementation

In addition to food companies investing in their supply chain, there are several other private companies and organisations investing, either directly or indirectly in sustainable agriculture using various models.

The models in this section represent different means to generate additional income streams to farmers to incentivise sustainable practices and/or help address the financial barriers they currently face.

2.2.1 Payments for Ecosystem Services (PES) – Non-food supply chain

As noted above in Section 2.1.2, under Payments for Ecosystem Services (PES) farmers and/or land managers are paid for specific environmental outcomes which are identified, assigned a value and paid for, typically by a party that benefits through a voluntary contractual arrangement.

A non-food supply chain example of this would be a water company paying farmers for actions that reduce run off nutrients and pesticides into ground and surface waters in their catchments.

2.2.1.1 Case Study: Severn Trent's Environmental Protection Scheme

Severn Trent's Environmental Protection Scheme (STEPS)[lxxvi] is one example of a water company offering farmers funding in return for measures that help improve water quality. It offers farmers funding for measures to improve the quality of water courses in the Severn Trent region. The programme is open to farmers in Severn Trent's priority river catchments with set payments for a menu of actions that achieve following objectives:

1. Improving soil health
2. Improving soil structure
3. Keeping soil and nutrients in the field
4. Protecting water courses
5. Work in harmony with livestock, which covers including livestock in rotation, avoiding poaching and proper management of nutrients.
6. Apply in the right place at the right time, which covers funding for chemical application equipment, leading to more accurate applications and less leaching.

Specific measures include cover cropping, herbal leys, buffer margins, managing crop residues for soil health and more. In addition to specific actions on the menu, they also have a Farmer Innovation option, under which farmers can propose actions to meet specific objectives. They must demonstrate that the action achieves the objectives. Farmers work with local agricultural advisers to decide on what options to take.

Some actions have a £/ha/year payment, while others are set at a proportion of the cost price up to a maximum amount. Some of these are only at 50% cost, so will require to find the remaining funds. The STEPS rules prohibit "Double Funding" ,e.g. funding the specific actions by both STEPS and a national agri-environment scheme. They do, however, encourage farmers to apply for agri-environment schemes for other actions.

2.2.1.2 Benefits of PES

In situations where there is a clear direct organisation or individual that benefits from actions taken by farmers and has the means to fund them. PES Schemes present a win-win. Although they are far from the only ones benefitting from clean water, water companies are a good example of this. Severn Trent estimates[lxxvii] that for every £1 spent to reduce runoff of phosphates, nitrates, and other agricultural chemicals they avoid £2-20 of treatment costs and generate £4 of wider environmental benefits. Overall, they have been able to save £74 million in costs for treatment processes.

There are also situations where there are a handful of reasonably resourced beneficiaries who together can fund PES schemes via schemes that pool contributions from them all. Landscape Enterprise Networks (LENs) and private contributions to Landscape Recovery (LR) are examples of this (see **Section 3.1.2** for details of both LENs and LR).

2.2.1.3 Limitations and risks of PES

PES schemes that are funded by a party or small number of parties that benefit from the actions taken, depend on this party gaining more from the scheme, than it costs them and being sufficiently resourced to cover these costs.

It also requires a sufficiently structured relationship to allow management practices to be identified and agreed and payments made, potentially. There may also be a requirement that a certain group of farmers are all or mostly. involved for the results to be sufficient. so often need for a structure and may also require this to be managed/facilitated.

However, there are many situations where there are multiple beneficiaries of actions with limited but differing abilities to pay. An example could be people living in settlements vulnerable to flooding who could benefit from nature-based solutions by farmers in the catchment. Here local taxation to fund schemes may be the most sensible approach. At a larger scale, we all benefit from climate and biodiversity benefits that more sustainable farming practices, and it is important that publicly funded agri-environment schemes continue to be supported, regardless of that is happening in the private sector.

Privately funded PES schemes depend on the continuing financial health of a single or small number of beneficiaries and their continued ability and willingness to pay for measures. Ensuring that farmers continue to deliver actions also relies on the continued ability of the funders to monitor actions.

2.2.2 Compliance credit markets

As with PES, credit markets enable farmers to earn income for specific environmental goods or services. In compliance markets, buyers pay for credits to meet a regulatory obligation, and farmers earn credits for work that brings environmental benefits and these are purchased by companies, external to the agri-food supply chain, to compensate for damage they have caused in their operations.

There are two compliance markets in England that allow farmers to earn credits for environmental. actions over a period of time: Biodiversity Net Gain (BNG) and Nutrient Neutrality (NN). Both are related to development planning consent. Wales has planning obligations that are similar to BNG, and Scotland is developing a similar model to Wales, but for reasons explained below, they have not led to compliance markets.

2.2.2.1 Current public policies relevant to compliance markets

Biodiversity net gain

Developers in **England** are required to deliver a 10% increase in biodiversity compared to the site prior to development, as a condition of planning consent. This means they not only need to compensate for any biodiversity lost as a result of the development but also add 10%, which is calculated according to specific BNG rules. The BNG hierarchy requires that developers deliver these on site if possible.[lxxviii] However, where this cannot be done, they can pay for habitat creation elsewhere, which provides an opportunity for farmers to earn money for creating and managing habitats on their farms. These habitats must be maintained for a minimum of 30 years and offsite gains registered and allocated to the relevant development.[lxxix]

With respect to both voluntary and compliance markets for biodiversity, ecologists have raised concerns that they rely on the premise that the destruction of habitats and ecosystems in one location can be remedied by improvements elsewhere. They note that unlike carbon, the inherent complexity of biodiversity is distinct and cannot be treated as an interchangeable universal unit.[lxxx] Failure to account for the specific unique value of a particular ecosystem, habitat or species could result in crucial biodiversity being lost. To account for this, the statutory biodiversity metric used for BNG distinguishes between different qualities of habitat and requires that habitat loss is compensated for by a habitat category of the same or greater quality. [lxxxi]

In December 2025, the UK Government opened a consultation on planning changes including removing BNG obligations for sites below 0.2 hectares.[lxxxii] There is already a "de-minimis" exemption, which allows developers to self-assess as low impact, thereby avoiding BNG obligations. The Wildlife and Countryside Link have argued that the 0.2 hectare exemption, must replace, rather than be in addition to, the de-minimis exemption. They note the risk that if both remain in place, 90% of developments would no longer be obligated to meet BNG requirements.[lxxxiii]

Net benefit for biodiversity

Wales' equivalent to BNG is known as "Net Benefit for Biodiversity", it requires developers to increase in biodiversity benefit compared to the biodiversity on site prior to development. In the event that developers can show it is not possible to complete all biodiversity enhancements on-site, it can be done offsite. However, there is no quantitative set amount by which biodiversity must be enhanced and no set number of years for which sites must be managed.[lxxxiv] For these reasons there has been no development of a compliance market in Wales and therefore has not developed as a means of funding nature recovery on farms in the way BNG has.

The Scottish biodiversity metric

Scotland's environmental regulator, NatureScot is developing a new biodiversity metric,[lxxxv] which takes a similar approach to Wales in requiring that major projects should include significant biodiversity enhancements beyond any mitigation of project impacts. However, as yet, there is no minimum level or percentage uplift in biodiversity. There will be options for offsite biodiversity enhancements, meaning opportunities for farmers to receive funds for actions to improve biodiversity, but the details of this have not been confirmed. It is not yet clear how strong and robust a compliance market could emerge from the Scottish Biodiversity Metric, given the lack of a numerical improvement requirement.

There is no equivalent to BNG in **Northern Ireland**, meaning there are no compliance markets with respect to nature recovery. Some developers are voluntarily applying BNG principles, using the guidance and metrics established for England.[lxxxvi]

Nutrient neutrality

Planning developments in **England** that are in or directly affect protected sites cannot go ahead if that site is in unfavourable condition due to nutrient levels in water (mostly phosphorus and nitrogen) and the development would increase nutrient pollution. Developers can, however, address this by including mitigation actions in their development plans, such as wetland construction and nutrient buffer zones, which must be maintained for 80-125 years.[lxxxvii]

As with BNG, developers also have the option of purchasing nutrient mitigation credits from others in the same catchment area under the Nutrient Mitigation Scheme to offset the additional nutrients from the development.[lxxxviii] This provides another potential source of funding to support farmers in implementing measures to reduce nitrogen and phosphorus pollution from their farms. However, this is only available to farmers in the same catchment as the development.

2.2.2.2 Benefits of compliance markets

A key benefit of compliance markets over voluntary mechanisms is that by starting with an obligation on a specific industry, company or individual, they address the key challenge of private funding for environmental benefits: investor motivation. It does not rely on philanthropic motivation, company public relations, or even a long-term view of the company's benefit and resilience. It is simply meeting a regulatory obligation.

BNG in particular has been welcomed by many. For example, the Chartered Institute of Ecology and Environmental Management (CIEEM) note[lxxxix] strong uptake and involvement of ecologists early in the process as well as a new income stream for farmers. It is gaining substantial interest internationally as a model for incentivising nature recovery through the planning system.

Furthermore, the fact that the model requires an increase in biodiversity, over and above the level prior to the obligated development means that it goes beyond simply offsetting harm. While the recent changes may have dented some of the scheme's momentum, it is gaining substantial interest internationally as a model for incentivising nature recovery through the planning system.

2.2.2.3 Risks and limitations of compliance markets

The integrity of compliance markets such as BNG and NN depend on the ability of local planning authorities to monitor the implementation and maintenance of the biodiversity measures. Research by the Home Builders' Federation found that nearly 40% of local authorities in England lacked 'in-house' ecological expertise.[xc]

The fact that the obligation is limited to developers as a condition of receiving planning consent, means that, the level of nature recovery is necessarily limited. Green Alliance make the case for extending BNG to other sectors, including potentially the food industry. They found that while compliance markets such as BNG are a good model to build on and potentially apply to other sectors, coverage of the obligation meant that even if development targets are met, BNG would only increase land set aside for nature in England by 0.5%.[xci] These findings include all land (not just farmland) and were before the removal of BNG requirements for small sites, meaning it will likely now be even lower.

2.2.2.4 Recommendations for establishing compliance frameworks

∞ *UK Government should* **strengthen the nature value of Biodiversity Net Gain** *and* **its financial value to farmers** *in England by:*

- **a. Removing the de-minimis exemption** *when the small sites exemption comes in;*
- **b. Adequately funding in-house ecological expertise in Local Planning Authorities** *to enforce BNG; and*
- **c. Funding research, to test the application of BNG to other sectors** *outside development that have a major impact on biodiversity.*

2.2.3 Voluntary credit markets

Voluntary credit markets are typically funded by buyers, who for philanthropic or marketing purposes, wish to offset the damage done by their own operations through remediation elsewhere.

In the voluntary market, carbon is by far the most advanced. Farmers can get carbon credits for actions that sequester carbon on a per tonne basis. They can then sell these to individuals or companies who use them to cancel out or "offset" their own emissions.

Voluntary biodiversity credits and credit markets are much less established than carbon and by their nature, biodiversity improvements are much harder to measure and compare.

2.2.3.1 Current policies relevant to voluntary credit markets

Having robust standards for voluntary credit markets and green financial products is essential for preventing greenwashing and ensure confidence for investors and those delivering

environmental benefits. The UK Government committed to doing this as part of the Environment Improvement Plan (EIP) 2025.

There are two regulated voluntary carbon markets that UK farmers can participate in: the Woodland Carbon Code[xcii] and the Peatland Code.[xciii] Both are regulated by the UK Government with details of projects that use them published in the UK Land Carbon Registry[3]. Under the EIP 2025 the UK Government stated that it would consider whether greenhouse gas removals through high-quality UK woodland creation under the Woodland Carbon Code should be included in UK Emissions Trading Scheme (ETS).

These schemes are designed for woodland planting and peatland restoration, rather than integrating trees into farming systems. Soil Association led a project exploring the potential for an Agroforestry Carbon Code,[xciv] which found limited viability for a standalone agroforestry carbon trading scheme; and recommended further research into other ways farmers might benefit financially from agroforestry.

Voluntary biodiversity markets are far less developed. However, there are several government funded pilots and research projects across the UK exploring these and alongside platforms for PES schemes. These are explored in further detail in subsequent sections.

2.2.3.1.1 Publicly funded research

NatureBid[xcv] is an online trading and auction that matches land managers interested in nature restoration and sustainable land management and with funders. Projects include sustainable agriculture support, natural flood management and Landscape Enterprise Network Scheme (see case study below), and woodland planting.

The Natural Environment Investment Readiness Fund[xcvi] supports trialling new ways of attracting private finance for ecosystem services and enabling organisations to be ready to sell into nature markets. There were three funding rounds with 136 projects supported and a total of £15m in funds delivered between 2020 and 2025.

Projects for Nature[xcvii] is a collaboration of businesses, eNGOs, expert environmental bodies and government, which has created a single digital platform, from which businesses can support collaborations.

Local Investment in Nature Capital[xcviii] has provided five local authorities and combined authorities with support to secure private finance to aid nature restoration in their areas. Most of these councils have established online platforms.

3 *Relevant registries can be found here* https://www.woodlandcarboncode.org.uk/uk-land-carbon-registry and here https://registry.spglobal.com/uklandcarbonregistry/public/pc

The Scottish Government is developing **an investment facility**. Working with NatureScot, the National Lottery Heritage Fund and the Green Finance Institute, they have launched a programme of support to help scale up private investment in Scotland's natural capital.[xcix] Groups wishing to carry out works can apply for an Initial Development Phase grant, which assist project developers to prepare early stage projects and make an application for a Market and Investment Readiness grant.

In **Northern Ireland** Queen's University Belfast is seeking to develop private financial instruments to support agri-food nature-based solutions to the problem of agricultural runoff polluting Lough Neagh,[c] the UK and Ireland's largest inland lake and source of 40% of NI's drinking water.[ci] It has been devastated[cii] by algal blooms and toxic blue-green algae caused by high levels of phosphorus and nitrogen of which over 60% comes from agriculture.

2.2.3.2 Benefits of voluntary credit markets

Credit markets increase the number of farmers that may be able to benefit from payments as they are not as restricted in terms of location as compliance markets. They also increase the number of potential funders beyond those seeking to achieve a specific outcome which their business directly benefits from.

2.2.3.2.1 *Limitations and risks of voluntary credit markets*

The key danger of voluntary credit markets is that offsets may be used as an alternative to emissions reductions from changes to company operations by the buyer, even where such changes are an option. This means they enable business as usual rather than systemic change in the buyer and do not result in a net environmental benefit beyond what would have been achieved with change in the buyer's operations.

Concerns about the integrity of voluntary markets include insufficient monitoring and verification; difficulty proving additionality; and genuine practical challenges such as trees failing to thrive or being destroyed by weather events, can mean that claims of "net zero" by those who buy offsets, may not be accurate. Furthermore, given the multiple demands on limited land in the UK, there is a danger that without proper oversight land with offsets already allocated to it, could also be allocated for other uses that would be incompatible.

From the demand side the volume of voluntary credit markets are limited by philanthropic goodwill, marketing benefits to credit buyers and existing or anticipated reporting requirements. From the supply side the complexity of arrangements may limit farmer engagement.

From the farmers' perspective the question of who owns the carbon and even which country can claim it also presents challenges. Where a farmer plants trees for offsetting credits, the carbon those trees absorb cannot be included in the farm's own carbon inventories, but rather they belong to the buyer of the credits. This means they cannot be included in the farm's own carbon calculations, which could complicate their carbon baseline and potential entitlements. When

sold to a buyer in another jurisdiction, this also complicates questions of which jurisdiction the carbon is counted in. For this reason, Welsh Government have urged farmers to be cautious about selling their carbon.[ciii]

With respect to biodiversity credits, the British Ecological Society has raised concerns that biodiversity in one place cannot necessarily simply be replaced by biodiversity elsewhere. For this reason, they caution that credits should be used for additional biodiversity created or restored, thereby adding value, not for offsetting damage done.[civ]

2.2.3.3	**Recommendation on voluntary credit markets**
∞	**Increase scrutiny** *and* **oversight of voluntary markets**, *particularly related to offsetting. As a first step develop a mechanism for* **all offset credits** *(including those currently unregulated)* **to be logged in a publicly accessible register**.

2.3 Raising finance via debt and equity-based mechanisms

Most of the mechanisms described so far support farmers' income, often on an ongoing basis. Where farmers need to raise capital, for an investment that has the potential to benefit the farm economically, debt and equity mechanisms can be used.

These are financial products designed to lower the cost of raising finance for farms transitioning to sustainable farming or for those already practising sustainable farming to expand. These can include green bonds; favourable sustainability linked loans; community shares and blended finance.

2.3.1 Green bonds

Green bonds include bonds linked to specific projects that have green outcomes or that are linked to sustainability targets. They were first used by the World Bank, which defines them as: "*any type of bond instrument where the proceeds or equivalent amount will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects*".[cv]

2.3.2 Sustainability linked loans

These are loans to farmers that are on more favourable terms when linked to sustainability measures.

2.3.2.1 Sustainability Linked Loan Case Study: Oxbury Transition Facility

Specialist Agricultural lender Oxbury Bank offers[cvi] low interest loans specifically to farmers transitioning to lower carbon regenerative systems. In addition to finance they provide:

- Carbon footprinting at the start and throughout the loan period;
- Earth Observation (satellite) monitoring of soil organic carbon levels; and
- Ability to share data on improvements with supply chain partners and government agencies.

2.3.2.2 Sustainable Loan Case Study: Development Bank of Wales Sustainable Loan Scheme

The Development Bank of Wales has developed a dedicated sustainable agriculture loan, which offers a 3% fixed interest rate, 6-month upfront repayment holiday and up to 15-year repayment term.[cvii]

It is specifically for farmers, is designed to work with Wales' Sustainable Farming Scheme and can fund capital investments including: renewable energy, energy efficiency and storage, nutrient management and storage and farm infrastructure and assets.

2.3.3 Community shares

One way of raising capital investment from the local community and other interested parties is through community shares. These are non-transferable, withdrawable shares in an independent society with a voluntary or statutory asset lock that is owned and democratically controlled by the community it serves.[cviii] Shareholders can receive interest payments, but these are typically much lower than a commercial loan would be. Farms must either be or establish a Cooperative or Community Benefit Society to be able to raise community shares, which can either be raised directly or via platforms such as Crowdfunder,[cix] Ethex[cx] and others.

2.3.3.1 Community Shares Case Study: Kindling Trust

The Kindling Trust is a not-for-profit company with charitable objects focused on organic farming, training new entrant organic farmers and establishing accessible local supply chains. In 2021 they raised over £1 million from more than 600 investors via community shares, which they used to purchase a 77-acre farm between Manchester and Liverpool. The business plan for the farm includes field scale organic vegetable production, agroforestry and an onsite social enterprise hub.[cxi]

2.3.4 *Bended finance*

Tools are being developed to leverage public finance to attract private investment into the transition to sustainable agriculture. This could either be through public or philanthropic investors providing "first loss" capital to encourage private investment or via a guarantee under which public or philanthropic investors insure a share of losses in case of non-repayment of loan, thereby derisking loans to farmers.

2.3.4.1 Current policies supporting blended finance

The Nature Market Accelerator is being established by Defra to increase private sector investment in nature.[cxii] It is 50% Defra-funded and 50% funded by industry and currently supports woodland creation, peatland and restoration and accesses funding from biodiversity net gain. Its objectives include bringing coherence to nature markets, providing technical assistance and capacity building. In the 2025 Environmental Improvement Plan, Defra committed to setting out the next steps for this in 2026.

Nature Returns Programme supports development of new ways of blending public and private funding to restore nature and build resilience to climate. The pilots looked at the practicalities of green finance.[cxiii]

Landscape Recovery is one of England's three Environmental Land Management Schemes (ELMS), which supports large landscape scale multi-party nature restoration and sustainable farming projects. A condition for receiving public funding is that the consortium must have already secured private funding for part of the project.

2.3.4.2 Green investment principles and standards

The British Standards Institution (BSI) is working with Defra and devolved administrations to develop a Nature Investment Standards Programme[cxiv] to enable high-integrity nature markets and guarding against greenwashing.

Welsh Government introduced its new Sustainable Investment Principles for Natural Resources in February 2026 aimed at guiding *"responsible investment through nature markets and wider financing mechanisms that support biodiversity recovery, climate resilience, Net Zero, a greener Welsh economy and sustainable resource management."* [cxv] These principles include:

1. Support integrated land, freshwater and marine use
2. Deliver public, private, community, and cultural benefits.
3. Engage and collaborate with communities.
4. Investment is ethical and values-led.
5. Investment is high integrity and transparent.

2.4 Risk sharing approaches

2.4.1 Sustainable leases

Standard Farm Business Tenancies are just 12 months long. While these are often rolling tenancies, the lack of certainty means farmers have little incentive to invest in the ecological health of their land and be unable to participate in private finance schemes.

Landowners that wish to support sustainable farming practices can offer favourable long-term leases on condition that farmers use sustainable practices.

National Trust are increasingly prioritising sustainability when seeking new tenant farmers. A 2023 listing offered a 10 year initial farm tenancy for a farmer who will farm in a way that benefits nature, people and climate.[cxvi]

2.4.1.1 Benefits of sustainable leases

Long-term leases increase security to farmers and enable them to capture the long-term benefits of transitioning. For example, building up soil health can take several years.

2.4.1.2 Limitations of sustainable leases

While such leases significantly reduce business risk for farmers, and enable them to invest and participate in other schemes, they do not in and of themselves address financial barriers.

2.4.2 Transition insurance and warranties

Some farm insurance and industry partners offer schemes that cover losses that farmers may experience during transition, this could include a fixed per acre payment during the transition if yields fall a below a certain level relative to historic production.

2.4.2.1 Benefits of transition insurance

This helps address the period of maximum yield loss while the ecology is adjusting to new environments.

2.4.2.2 Limitations of transition insurance

Like favourable sustainable leases, insurance reduces risk but does not address financial barriers.

3 CROSS-CUTTING CHALLENGES FOR SCALING UP PRIVATE INVESTMENT

While there are many examples of private investment in sustainable farming, and many government policies seeking to support them, there is insufficient investment to meet the scale of the challenge.

There has been significant interest in the question of how to scale up private investment in sustainable farming and substantial research into the challenges that need addressing. IEEP has examined this issue in an EU context in 2025[cxvii] and 2026.[cxviii] The challenges identified and solutions proposed in the EU context were echoed by those that have studied the UK context. Others that have researched this topic in depth include: The Green Finance Institute;[cxix] The Green Alliance; [cxx] The Food, Farming & Countryside Commission;[cxxi] WWF have set out separate road maps for financing regenerative agricultural transitions in England[cxxii] and Scotland.[cxxiii] Challenges identified by these reports include:

1. Transaction costs, accessibility and training needs for farmers.
2. Issues with baseline data, monitoring, reporting and verification.
3. Concerns regarding governance and standards for voluntary markets and financial products.
4. Insufficient motivation on the part of potential investors.

3.1.1 Costs and accessibility challenges for farmers

Farmers, who would otherwise be willing to take actions with the right financial support may be put off or unable to engage in schemes due to:

- Complex contracts and application processes.
- Knowledge and skill gaps in relation to new farming practices.
- Unclear rules around taxation and how private finance interacts with public financial support and how these different income streams can be added together or "stacked".
- High transaction costs per farmer, particularly for farmers with less land and therefore less income from a given transaction.

3.1.2 Policies that tackle cost and accessibility challenges for farmers

3.1.2.1 Addressing knowledge gaps and providing advice

Improving farmer knowledge, practical skills for sustainable farming and their understanding of how to access and participate the opportunities presented by private finance initiatives is essential.

Wales, Scotland and Northern Ireland all have comprehensive "one-stop shop" farm advisory services in the form of Farming Connect,[cxxiv] the Farm Advisory Service[cxxv] and Rural Support[cxxvi] respectively. These already offer training and mentoring in both business skills and sustainable farming and would be well placed to offer support related to opportunities for private finance.

In England there is no equivalent "one-stop shop" but training and support is more dispersed between agencies, Defra, local authorities, ADHB[cxxvii] and others.

3.1.2.2 Collaborative schemes – tackling transaction costs

Post- Brexit support schemes in both England and Wales include collaborative options involving multiple farmers delivering environmental benefits across a large landscape, meaning farmers can learn from each other and deliver benefits at scale, potentially reducing barriers to entry.

England's **Landscape Recovery (LR)** which funds large-scale (500-5000 ha), multiparty, long-term land use change projects with multiple farmers in the same area working together. It was specifically designed with a view to including private finance.[cxxviii]

In Wales the **Collaborative** layer of the Sustainable Farming Scheme has not yet been finalised but will involve farmers working together at scale across landscapes or supply chains. The three collaborative themes to be introduced in 2026 are confirmed as: innovation, research and development; collaborative market and supply chain; and collaborative landscape scale activity.[cxxix]

3.1.2.2.1 Case study: Landscape Enterprise Networks (LENs)

Landscape Enterprise Networks are model developed is similar to Landscape Recovery, but entirely privately funded and coordinated by the private company 3Keel. Multiple farmers in the same landscape join together in a consortium, coordinated by a local third party (such as a rivers trust). 3Keel then acts as an intermediary between these consortia and private funders. These funders are typically large companies that are dependent on these landscapes for their businesses, for example, water companies, food manufacturers and retailers or any business with infrastructure vulnerable to flooding or other local environmental disaster. The model is demand led meaning that it is the funders who decide on the measures that the LENs will fund.

3Keel develop multi-party contracts through which companies pay into a fund, which supports the consortia to deliver nature-based solutions on their land via Landscape Enterprise Networks (LENs). Some of these actions take land out of production, for example to create new forestry or wetlands; however, others are incorporated into the farming system by including new management actions within crop rotations. Works carried out must be monitored, reported and verified and can then be accounted for within environmental reporting, including Scope 3 emissions reporting of the food companies.[cxxx]

3.1.2.3 Recommendations for farmer support

- *UK and devolved governments should regularly* **share best practice** *to learn from each other in relation to:* **farmers' advice and support** *services and* **support for farmer collaboration**.

3.1.3 Issues with baseline data, monitoring and verification

Data and Monitoring Recording and Verification (MRV) issues were identified in multiple reports and interviews conducted. Challenges include:

- Limited baseline data and the cost of their establishment for soil, carbon and biodiversity.
- Where data already exist, they may be inaccessible and held by different agencies and companies.
- Companies using different digital languages that are not interoperable can make comparability difficult.
- Concerns from farmers about data ownership; potential disadvantages if commercially sensitive data are shared; and the potential to be penalised for poor baseline positions.
- MRV processes to prove actions have been taken can be costly.

There is a lot of variation in processes and metrics used for MRV by different funding and monitoring organisations. The extent of this variation is different for different environmental goods with biodiversity having the most variation and carbon the least. However, even with carbon there are significant inconsistencies between companies. For example, a Carbon Trust representative noted that remote sensing is key for verifying carbon sequestration claims and that there are several starts up developing different tools to do this. However, comparisons across the sector are challenging as there are differences in the hardware, raw data and how the data are managed.

3.1.3.1 Monitoring Reporting and Verification Case Study: Cool Farm

Cool Farm (CF)[cxxxi] a Community Interest Company which provides a tool, Cool Farm Platform is the latest version launched in 2025 to help farmers and food supply chain actors measure and understand the impact of farming measures on carbon emissions and removals, biodiversity and water. It is used in over 140 countries and is funded by members who include international food corporations, certifying bodies, academic institutions and farmers' organisations.

The tool was developed for members in the food supply chain rather than farmers but is free for farmers to use. Most farmers do not enter info into the tool directly. They either enter it on paper or a separate database provided by the Cool Farm member and share it with a consultant supply chain sustainability team who enters the data and generates the results on their behalf.

Some companies use the tool as a basis for providing additional support for more sustainable farming, while others just use it to verify sustainability claims.

Cool Farm account users own their data but are not able monetise it, they are able to share their data to their customers using Cool Farm for supply chain reporting. Cool Farm is in the process of analysing the data sets with the intention of providing anonymised aggregated sector insights.

The tool is interoperable with other systems via an application programming interface (API) and currently operates as the calculation engine in seventy digital platforms. These do not currently include Agrecalc[cxxxii] and Carbon Farm Toolkit[cxxxiii] but a project known as Hestia at Oxford University is developing a python code that aims to be interoperable with all the other tools on the market.

3.1.3.2 Data Management Case Study: Hestia Oxford

Hestia data project[cxxxiv] at Oxford University provides free, harmonised data on the environmental impact of farms and food supply chains.

They aim to address the following challenges:

- The inaccessibility of much of the data on environmental impact of agricultural practices; much of which sits on inaccessible databases or in printed articles.
- Different tools, methods and definitions of "sustainable agriculture".
- The incomparability of datasets due to different digital languages, models and data structures being used.

The project aims to develop a python code to be interoperable with all the other tools on the market, meaning data from Cool Farm, Agrecalc and the Carbon Farm Toolkit can all be compared. Data standards will be created to harmonise how agri-environmental data are shared between researchers and in supply chains and enable data collected in different digital languages to be compared. They also provide open-source models to fill gaps in missing data, estimate emissions and resource use and quantify environmental impacts. Hestia is open source, but this does not change the underlying data ownership.

3.1.3.3 Policies relevant to improving the baseline

As noted by the Green Finance Institute, establishing knowledge of the environmental baseline is crucial to enabling better MRV and more robust private finance mechanisms. In all parts of the UK there are moves to increase knowledge of baselines, particularly in relation to soil. Soil scientists have raised concerns about the lack of comparability in approaches to testing across the UK.

Northern Ireland has the most comprehensive approach to soil monitoring, with its Soil Nutrient Health Scheme aiming[cxxxv] to test all, or at least the vast majority, of the territory's 650,000 fields. Tests will be carried out by professional surveyors and include pH, Phosphorus (P), Potassium (K), Magnesium (Mg), Sulphur (S) and a carbon estimate. Farmers will also receive advice on nitrogen management farmers are required to participate in the Scheme to be eligible for financial support under the Sustainable Agriculture Programme.[cxxxvi] While not every farmer participates in these schemes, the high ambition appears to have paid off, with a 90% sign up rate as of May 2025.[cxxxvii]

Scottish farmers also need to test their soil in order to receive financial support under the Whole Farm Plan,[cxxxviii] to be eligible for support schemes; however, testing can be carried out by farmers. They do not need to test every field[cxxxix] but fewer minerals are mandated (pH, Phosphate (P), Potash (K), and Carbon (C)). The Scottish Government is also supporting the development of an adaptive soil monitoring framework for Scotland as part of a broader Strategic Research Programme.

Similarly, **Wales**' Sustainable Farming Scheme includes soil testing amongst its conditions for financial support. This will be conducted by farmers (rather than professional surveyors) who must test 20% of their field parcels for Potassium (K), Phosphorous (P), Magnesium (Mg), pH, and Soil Organic Matter at a minimum.[cxl]

In **England**, farmer-led soil testing has been supported under the Sustainable Farming Incentive (SFI), but the future direction of the SFI remains unclear. Separately, a soil health indicator is being developed as part of the 25 Year Environment Plan and the Government has also been developing a Soil Monitoring Programme as part of its England Ecosystem Survey and is expected to publish a soil health map by 2028.[cxli]

Carbon footprinting requirements are also planned for Northern Ireland and is being funded elsewhere in the UK.

Other ecological data, such as biodiversity, are more complicated to test and measure; however, a significant amount of data exist in various databases and reports but are not necessarily accessible.

The Green Finance Institute commissioned a multi-stakeholder working group to explore how to get more private finance into sustainable farming. One of their recommendations was enabling farmers to access all existing ecological data about their land at a single access point to allow them to understand their environmental baseline. They also recommended giving farmers access field mapping tools such OS Master Map, to help in their decision making.[cxlii]

Both these are sensible recommendations for improving access to already existing information.

3.1.3.4 Policy recommendations for building knowledge and improving MRV

- *UK and devolved governments* **should regularly share best practice** *to learn from each other in relation to* **soil testing** *approaches.*
- *Governments should collaboratively launch an* **initiative to enable farmers to access existing available ecological information** *about their land from historic surveys and databases, so that they can establish baselines.*
- *Governments and industry should* **collaborate in setting robust minimum standards** *for farm sustainability calculators and carbon footprinting tools, including use of remote sensing.*

3.1.4 Investor demand and motivation

Improving farmer accessibility, MRV and governance, is necessary but not sufficient to generate sufficient funds to support the agricultural sector to transition to more sustainable practices. Much needs to be done to improve the integrity of existing mechanisms through better governance and MRV processes and to improve accessibility of schemes for farmers; however,

relying on existing voluntary markets, corporate social responsibility and limited existing compliance markets is unlikely to generate the investment needed.

As things stand, private companies are simply not incentivised or required to invest sufficient funds into the farming transition to support change. Philanthropic and CSR investments can be vulnerable to changes in priorities by company leadership.

If funding from private companies is to address the scale of change required for agriculture to become more sustainable and resilient meet the need for the sustainable farming transition, policies must go beyond improving the accessibility and credibility of existing voluntary and compliance schemes. New regulatory obligations are also required. As noted in previous sections of the report, the regulatory leavers that have potential to increase demand include: expanding regulations on supply chain fairness to cover sustainability; environmental strengthening reporting and net zero planning requirements for large companies; environmental standards for food sold in the UK; strengthening and expanding compliance markets, including applying biodiversity net gain to new sectors. Recommendations have already been listed throughout but are repeated below for clarity.

3.1.4.1 Recommendations for increasing investor demand

- **Expand supply contract regulation to cover sustainability:** *Consider how the role of the Grocery Code Adjudicator, the Agricultural Supply Chain Adjudicator and their respective codes and legislation could be expanded to include supply contract length, sustainability considerations, and the extent to which contracts enable farmers to carry out sustainable practices.*
- **Strengthen environmental reporting and transition plan obligations:**
  - *Make supply chain (Scope 3) emissions and broader environmental impacts reporting obligatory under UK SRS; and*
  - *Ensure obligation to publish Paris Agreement aligned net zero transition plans applies to all major UK food companies*
- *The UK government should* **review uptake and success of voluntary environmental standards** *and, in partnership with the devolved authorities,* **examine** *the potential for* **setting binding standards** *and* **associated targets** *on the* **food sector** *that align with* **reduced emissions** *and increased* **sustainability within agriculture** *and land management.*
- *UK Government should* **strengthen the nature value of Biodiversity Net Gain** *and* **its financial value to farmers** *in England by:*
  a. **Removing the de-minimis exemption** *when the small sites exemption comes in;*
  b. **Adequately funding in-house ecological expertise in Local Planning Authorities** *to enforce BNG; and*
  c. **Funding research, to test the application of BNG to other sectors** *outside development that have a major impact on biodiversity.*

4 CONCLUSIONS AND RECOMMENDATIONS

There is significant Government activity and ambition in relating to leveraging private investment in nature and sustainable farming, especially by the UK Government in relation to England. A lot of work is needed to ensure that frameworks are robust ensuring high standards with good MRV to ensure that claims can be backed up.

However, the crucial factor remains ensuring demand on the part of investors. Given the scale of the challenge ahead, we cannot afford to rely on voluntary mechanisms. Government should prioritise regulations on food companies and others, which lead to investment in sustainable farming practices.

4.4 Summary of recommendations for UK and devolved governments

1

Expand supply contract regulation to cover sustainability: Consider how the role of the Grocery Code Adjudicator, the Agricultural Supply Chain Adjudicator and their respective codes and legislation could be expanded to include supply contract length, sustainability considerations, and the extent to which contracts enable farmers to carry out sustainable practices.

2

Strengthen environmental reporting and transition plan obligations:

a. Make supply chain (Scope 3) emissions and broader environmental impacts reporting obligatory under UK SRS; and

b. Ensure obligation to publish Paris Agreement aligned net zero transition plans applies to all major UK food companies.

3

The UK Government should **review uptake and success of voluntary environmental standards** and, in partnership with the devolved authorities, **examine** the potential for **setting binding standards** and **associated targets** on the food sector that align with **reduced emissions** and increased **sustainability within agriculture** and land management.

4

The UK Government should **strengthen the nature value of Biodiversity Net Gain** and **its financial value to farmers** in England by:

a. **Removing the de-minimis exemption** when the small sites exemption comes in.

b. **Adequately funding inhouse ecological expertise in Local Planning Authorities** to enforce BNG; and

c. **Funding research, to test the application of BNG to other sectors** outside development that have a major impact on biodiversity.

5 **Increase scrutiny** and **oversight of voluntary markets**, particularly relating to offsetting. As a first step develop a mechanism for **all offset credits** (including those currently unregulated) **to be logged in a publicly accessible register**.

6 Governments should collaboratively launch an i**nitiative to enable farmers to access existing available ecological information** about their land from historic surveys and databases, so that they can establish baselines.

7 Governments and industry should **collaborate** in **setting robust minimum standards** for farm sustainability calculators and carbon footprinting tools, including use of remote sensing.

8 **UK and devolved governments should regularly share best practice to learn from each other in relation to:**

a. Soil testing approaches.

b. Farmers advice and support services and support for farmer collaboration.

c. Organic support schemes.

d. Compliance markets.

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