

# Farm-scale Natural Capital Accounting

## Valuing Natural Capital on your farm

### Benefits for Farmers and their Stakeholders

*“Collect the information once, share it many times”*

Farm-scale natural capital accounts allow farmers to make informed decisions about farm management, and to leverage their sustainable farm practices for commercial benefit when engaging with investors, buyers and lenders. Accounts also allow buyers and financial stakeholders to verify the environmental credentials of farmers when making investment decisions. In short, the accounts increase transparency in the agricultural supply chain.

When combined with production data, natural capital accounts can help farm businesses to:

- show how natural capital supports agricultural production, and therefore, farm profitability;
- uncover opportunities to improve farm productivity and profitability through better management of natural capital;
- demonstrate the public benefit of maintaining and improving natural capital; and
- communicate your farm’s environmental performance to a range of stakeholders (e.g. buyers, lenders, insurers).

### Supporting Farm Management Decisions

Farm-scale natural capital accounting can support strategic farm management decision-making by providing information relating to environmental health and sustainability. Natural capital accounts provide a direct ‘line of sight’ from natural capital assets to benefits for production. The accounts can assist farmers to see *where* on their farm they can improve farm productivity and profitability through better management of natural capital.

- Identify where to plant trees to maximise production outcomes from shade and shelter.
- Use forage condition at paddock level to optimize stock management for best production outcomes.
- Identify where to plant native shrubs and trees to increase pollination or pest control services.
- Identify areas vulnerable to soil loss and erosion due to low or variable ground cover.

### Supporting Negotiations with the Supply Chain

There is increasing demand from the agricultural supply chain for information about farm performance on key environmental issues relating to climate and nature risk. Natural capital accounts equip farmers with evidence-based sustainability reporting to market their farm business with robust farm-scale data and avoid allegations of greenwashing. Farmers can share their accounts with multiple stakeholders (collect once, share many) who need to disclose their climate and nature risks and impacts. Farmers using natural capital accounts to demonstrate best practice are already receiving direct-buyer contracts, premium pricing and security of sale.

- May be used for reporting requirements under certification schemes.
- May be used for market access disclosures, such as GHG emissions, deforestation or nature positive.
- May be used to negotiate direct-buyer contracts, premiums pricing, brand access and security of sale



## Supporting Farms with the Financial Stakeholders

Financial stakeholders (banks, insurers, investors) are increasingly concerned with climate and nature risk and associated reporting requirements. The accounts provide critical information to the market relating to greenhouse gas emissions and resource use, as well as changes to the land (e.g., cover and habitat condition) that can demonstrate natural capital improvements over time. Through these accounts, farmers can tell an important story to a range of stakeholders about their contribution to best practice land management and reduced credit risk – to banks and investors, insurers and other wealth managers.

- Farmers have received lower interest rates on their loans from banks based on early natural capital accounts.
- Banks are developing Green leading products to farms that can evidence lower risk with outcome measures like natural capital account data.
- *Farming for the Future* has partnered with Australian Sustainable Finance Initiative to explore how the finance sector can use natural capital accounting for reporting, and how to support farmers to collect this information.

## Supporting Ecosystem Service Market Access

Natural capital accounts demonstrate the public benefit of maintaining and improving on-farm natural capital, which may open new income streams, such as habitat credits and stewardship payments. Farm-scale natural capital accounts have been developed to align with and complement national and international frameworks, including the Taskforce for Nature-based Financial Disclosures and other Environmental-Economic Account (EEA) methods.

- May be used to reward farmers for habitat management or biodiversity outcomes under stewardship or habitat credit schemes.
- May be used to access premium pricing (co-benefits) on carbon projects.
- May be used to negotiate direct agreements with companies to fulfil their ESG requirements.

### Our vision is that:

- farmers that build natural capital are financially rewarded through market access, favourable financial terms, and payment for public benefits such as biodiversity habitat and carbon sequestration, and that:
- natural capital accounts are the tool through which sustainable farm practices that build natural capital are registered and validated, meaning that:
- natural capital accounting becomes standard practice for running profitable farming enterprises, and that:
- natural capital accounts are good for farm businesses, good for society and good for nature.

## More Information

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*We acknowledge the Traditional Custodians of Australia and their continuing connection to land and sea, waters, environment, and community. We pay our respects to the Traditional Custodians of the lands on which we live and work, their culture, and their Elders past and present.*

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Research Centre for  
Future Landscapes

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