

Environmental Land Management update



Introduction

Defra finally published its prospectus for the new Environmental Land Management (ELM) scheme for England on 26 January 2023. Having trialled three elements of the entry tier known as the Sustainable Farming Incentive (SFI) last year, the prospectus sets out six further SFI 'standards' that will be launched in 2023, and confirms that the second tier of ELM largely will be a continuation of the Countryside Stewardship (CS) scheme that many English farmers will already be familiar with. A revised CS offer will be available from 2024. The paper also confirms that a new round of funding for the third scheme, Landscape Recovery, will be launched this year.

Context

The paper helpfully sets out more of the policy context in which the ELM schemes will be operating. It's clear that Defra considers the previous Basic Payment Scheme to have only rewarded land ownership or tenure, and that the new schemes are intended to reward the provision of environmental goods and services alongside food production. In this regard, the policy goals of what was known as the Common Agricultural Policy's 'pillar 1' are being phased out along with the area-based payments. The risk in running a farm business in England will no longer be supported through income support payments and there is no ongoing support to ensure that farmers in England continue to produce food. There are notable differences here between England and the emerging policy objectives for farmers in Wales and Scotland.

ELM scheme payments are intended to ensure that farmers and land managers can improve the natural environment, although it is acknowledged that nature is a resource from which food is produced: a symbiotic relationship is intended, to allow private goods to be produced at the same time as government moves towards meeting its environment and climate targets. These targets are set out in the paper to make explicit the link between farmers' actions, the schemes and outcomes for climate, species abundance, habitat restoration, water pollution and woodland cover.

Budget and payment rates

The current annual budget of £2.4 billion is only confirmed until the end of the current parliament (2024/25), but the allocation of this budget between the three elements of ELM (and indeed productivity, innovation, outreach and other funding priorities) will be kept under review. The impact of inflation means a net reduction to agriculture is likely even if the current budget survives the next government, and there remains a question as to whether the total budget can be spent without direct payments, especially if SFI uptake remains muted.

A 94% increase in the uptake of CS since 2020 has encouraged Defra to allocate more funding to this scheme and increase the payment rates, including for capital items, but payments will continue to be made on an 'income foregone' basis for most activities. For farmers in some sectors and areas, marginal funding rates and commodity market opportunities may make the burden of the schemes unattractive. Defra has pledged to review the whole payment landscape after 2024 on a regular and systemic basis to ensure that outcomes for farmers and the schemes are being met. Farmers will be anxious to see how future governments commit to environmental funding against a perpetually volatile trading outlook for agriculture.

Structure

The overall structure of the three elements of ELM is now more obvious to see. However, because many of the new SFI and CS prescriptions are being brought forward from existing CS, there are going to be some overlaps until only new schemes exist. The language of 'universal actions' in SFI and 'targeted actions' in CS edges England towards the clarity of the Welsh agricultural policy landscape which was covered in a previous [briefing note](#), but the phased introduction of the new and old schemes in England means that a confusing few years lie ahead for English farmers. A [table](#) is provided in the paper to summarise all the actions, whether they are existing or new, when they are available, payment rates and where further details can be found on management prescriptions.

While the continuity of CS knowledge and prescriptions will help farmers familiarise themselves with the new schemes, there are new areas of focus across both SFI and CS schemes. These include sustainable soil and water resource management, habitat connectivity, lowland peats, agroforestry, and advice on integrated pest management.

Existing CS agreement holders can enter an SFI agreement, if actions are not being paid for twice and the actions are compatible. For actions that are similar in SFI and CS, farmers will be paid at the same rate in both. Eventually,

access to the schemes will be via a single online portal, but it is going to remain difficult to see exactly what is available to whom and where until then. There is also some complexity as to whether a particular action is compatible with emerging private market payments. A Green Finance Strategy explaining further how the schemes will work with private markets is expected in spring 2023.

Sustainable Farming Incentive

SFI is intended to pay farmers to go above and beyond the regulatory baseline (which is still to be defined through future land use standards), but with a focus on standard 'universal actions' that are needed over the whole landscape. Defra's ambition here is clear: the majority of farmers should be participating in SFI. Our assessment is that the types of options and payment rates available in the new SFI standards should make it easier for farmers to understand how the standards could benefit their farms. Uptake rates should improve as a result, however eligibility guidance needs to substantially improve and simplify from that issued in August 2022 on the first SFI standards. Agreements will be flexible to allow holders to choose the best options for their farm and will be delivered over a standard three-year time frame (accessibility for tenants is a priority). There is a focus on creating policies and taking advice as well as actions. A guaranteed payment of £20 per hectare (ha) for the first 50ha of an SFI agreement has been pledged to cover the initial administration burden; some of the reporting requirements (see below) are covered by fixed payments intended to cover the cost of the professional advice needed. There is no obligation to create any baseline at the start of the agreement.

Three SFI standards were launched in June 2022 (arable and horticultural soils, improved grassland and moorland standards - see our [briefing note](#)) and six more will be introduced this year, with a full suite expected by 2025. This suggests that more options currently within existing CS will be expected to be 'universal' in the future. The approach of layering up introductory and intermediate actions in the original SFI standards seems to have been dropped as a requirement for the new six, with the elements available on a mix and match basis. This should simplify the scheme.

New SFI standards for 2023

1. Hedgerows - The hedgerow standard includes the BE3 hedgerow management CS option, offering £10/100m/side for managing hedgerows to varying heights and widths with rotational cutting. In addition, there is an action for participants to be paid £3/100m/side of hedgerow to assess and record hedgerow condition every year of the agreement, and £10/100m to maintain and plant hedgerow trees to achieve at least one every 100m. Hedgerows up to 10m wide are now eligible and CS capital grants (BN5, 6 and 7) will be available for hedgerows entered into SFI Hedgerows.
2. Integrated Pest Management (IPM) - The IPM standard includes AB8 (flower rich margins and plots) at £673/ha, and has new payments for completing an IPM plan (£989/year), companion cropping (£55/ha) and avoiding insecticides (£45/ha). All farmed land, including that registered organic, will be eligible for this standard. A BASIS qualified advisor needs to complete the plan and review it each year. The prescription not to use insecticides can be fixed or rotational and will override flexibility to use insecticides provided in any other standard.
3. Nutrient Management (NM) - Legume prescriptions from CS form the core of the NM standard, with a variation on GS4 (establishing legumes) at £102/ha (grassland only eligible) and AB15 (legume fallows) at £593/ha (arable land only eligible). New is a NM plan and NM review report at £589/year. A FACTS qualified advisor needs to visit the farm to complete the NM review report to assess current usage and needs and identify opportunities to increase the efficiency of nutrient usage on the farm. The advisor needs to update the review each year of the agreement.
4. Arable and horticultural land standard - This standard is based on variations of a series of CS options, including pollen and nectar mix (AB1, £614/ha), winter bird food (AB9, £732/ha) and buffer strips (SW1, £451/ha). New is a grassland field corners payment at £590/ha.
5. Improved grassland standard - This offers prescriptions based on variations of GS1 (grassland corners, £333/ha), GS3 (winter bird food, £474/ha) and buffer strips (SW2, £235/ha).
6. Low input grassland - For farms in Severely Disadvantaged Areas (SDAs), the low input grassland standard is a variation of GS5 (£98/ha) and for those outside SDAs it is a variation on GS2 at £151/ha.

Countryside Stewardship

In comparison to SFI, new CS will target specific habitats and features under longer-term agreements (where tenants may need landlords' permission to enter, including by agreeing to take on the agreement if the tenancy ends). The current England Woodland Creation Offer will be rolled into CS and the management prescriptions will be simpler. Agreements should be adaptable year on year (including for existing agreements) and payments will be made quarterly. Across the board, the existing suite of CS options are being reviewed to ensure that they are outcome focussed and less prescriptive, but they are largely being retained in either new CS or SFI. The revised actions (where necessary) will be made available in 2024 for CS agreements starting in 2025.

What's available?

The paper summarises the types of actions that are available to different farmer groups (uplands, lowland grazing, organic etc), and highlights how tenants' needs are being taken into account following the Rock Review, however the document largely focusses on sorting the options by land use types (grassland, arable etc), plus cross-cutting sections on species recovery and access and engagement. Farmers should be able to dip into these sections of the report to read a summary of the types of actions on offer for each land use type, and find out whether funding is available under SFI or CS (or both). Ensuring that the online application process streamlines this option-finding process as simply as possible will be paramount to the overall success of the scheme.

- For arable and grassland landscapes, the range of options available will be consistent and familiar to most farmers and advisors. Although there is not yet detail of what the various SFI plans will require, nutrient management and IPM plans are a standard part of Red Tractor protocols. An SFI payment to cover the cost of producing them should be welcome news to arable and lowland grassland farmers who are not currently in any CS scheme. In addition to the SFI standards listed and CS options already available, payments for crop establishment practices such as no-till and direct drilling and using precision farming approaches may follow in the future.
- Moorland and peatland receives a bit more focus in the new schemes. The SFI Moorland standard was criticised for its poor payment rates, but it is being extended to pay for additional actions, including minimising bare ground, increasing the roughness of ground and managing trees and scrub. New actions will cover restoring and maintaining peatland. The learnings of the Nature for Climate Peatland grant scheme will be used to inform how ELM can become the main delivery mechanism for upland peat restoration and management after 2024. The existing limited lowland peat offer in CS will be extended in the new CS scheme. The findings of the Lowland Agricultural Peat Task Force will inform this work, along with ongoing finance for trials on paludiculture and supportive capital grants.
- Woodland, trees and agroforestry - Woodland creation will be funded through the England Woodland Creation Offer (EWCO) until it is transitioned into ELM (which will happen without penalty to agreement holders). Existing prescriptions for woodland management in CS, such as WD1, will then be combined in a single offer. Significant expansion of deer and squirrel management offers is expected (see below), as well as new actions for priority woodlands, climate resilience, flood and drought mitigation and managing historic features. Agroforestry will also be targeted with new actions, including establishment and maintenance of silvoarable and silvopastoral systems.
- Boundaries - hedgerows get specific actions under the new SFI Hedgerow standard. Drystone walls and stone-faced hedgebanks will benefit from a specific action to maintain them in good condition, in addition to the existing CS actions to restore them.
- Waterbodies - in addition to the existing range of CS actions to manage and restore water resources, new actions will be available to pay for three-dimensional buffers to protect watercourses more effectively than grass strips, managing grassland for water quality, managing features established using CS capital funding, and enhancing floodwater storage. Riparian edges and river and floodplain habitat connectivity will be paid for under new actions, as well as enhancing floodplain water storage. Ponds have a number of existing actions, but under new CS, lakes will benefit from actions to establish natural shorelines, manage water levels and protect natural populations of fish species.
- Species recovery and management - there will be a number of new actions related to species recovery across all habitats listed above. This might include a wider range of species being covered and connectivity payments, as well as new actions to support species reintroduction and translocation where these have clear benefits. Specific and tailored management support such as for managing predatory species are also being considered, as well as new actions for managing invasive non-native animals (like grey squirrels) and invasive non-native plants.
- Wetlands, coastal habitats, lowland heathland and heritage will continue to receive similar actions as at present.

- Access and engagement - a number of public access payments are already available under CS or EWCO, but new actions are being explored to support permissive access, managing existing access pressures on land and water, and expanding education access beyond schools and care farms.

Analysis

The policy paper is a welcome document for farmers in England, who will finally be able to make sense of the multiple messages that have been coming out of Defra on ELM. The funding is intended to drive progress towards our environmental targets, so engagement by farmers will be critical to demonstrate funding is effective and justified. The next Environmental Improvement Plan is expected imminently, and it's beyond time for us to turn the corner on species and climate decline.

The adaptations that Defra has made to the schemes based on trials is commendable, including flexibility in SFI prescriptions and improvements in the overall language and tone of the schemes. Suggestions of payments for managing landscape features will also be very welcome, where the previous 'recovery' focus was too much on creation of features and land use change. It remains to be seen whether farmers can match or exceed BPS income (or margin) from SFI and CS combinations. What's clear is that, for the next couple of years, engagement with the schemes will be complicated by the overlapping nature of current Countryside Stewardship with the new SFI and CS offers. If that confusion can be managed and an online portal delivered successfully, it seems likely that many more farmers will see the benefits of SFI and CS payments and understand their relevance to productive food producing farm businesses.

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