

Farming for the Future - Rural Policy Update

On 25th February 2020, Defra released a policy and progress update titled '[Farming for the Future](#)'. The document gives greater detail on what Britain's new domestic agricultural and environmental policies might look like on the ground, and how they will help to deliver the promises set out in the Government's 25 Year Environment Plan and the UK's net zero emissions targets. The proposals relate directly to England, with agricultural policy in Scotland, Wales and Northern Ireland being a devolved matter.

The update outlines how Environmental Land Management (ELM) schemes might work and also gives detail on who will be eligible for what support. Beyond ELM, the update suggests that other funding packages will be available to provide public money to land managers who deliver public goods in the areas of plant and tree health, animal health and welfare, and prosperous and productive farming.

It is encouraging to see that the document begins by outlining the importance of sustainable food production and food security, addressing a criticism aimed at the initial 2018 Agriculture Bill. The overarching policy direction is clear – the Government intends to encourage farmers to provide healthy produce grown to high standards, while at the same time protecting and enhancing the natural assets which support production. The emphasis on food security and increasing the resilience and fairness of the food supply chain is to mitigate the risks of climate change and future trading agreements once the post-Brexit transition period ends.

Moving away from direct payments

The update confirms that direct payments in England will be phased out over a seven year agricultural transition period from 2021 – 2027. The maximum percentages by which payments will be cut in 2021 have been confirmed. The structure adopted can be considered similar to income tax: the direct payment will be split into bands, and different reduction percentages applied to the element of the payment which falls into each band.

The largest claimants will have their payments reduced by larger proportions.

Direct payment band	Maximum 2021 reduction percentage
Up to £30 000	5%
£30 000 - £50 000	10%
£50 000 - £150 000	20%
£150 000 or more	25%

As part of the transition, payments will be delinked, meaning recipients will no longer have to farm the land in order to receive payments. Eligibility for delinked payments and a reference amount will be based on a reference period of one or more years. A retiring owner or tenant who received a Basic Payment Scheme payment during this period will usually be eligible to receive the delinked payments. Defra's intention is for delinked payments to facilitate restructuring, creating opportunities for existing businesses to expand and new entrants to join the industry. However new entrants who enter farming after the reference period are unlikely to be eligible for delinked payments. The earliest point at which delinking would be introduced is 2022, meaning they could provide an income stream for up to six years, but the payment size would diminish each year. Defra is also considering offering farmers the option of taking a one-off lump sum payment, in place of all direct payments they would have been entitled to receive during the agricultural transition. A consultation on this will follow; George Eustice has referred to it as an "exit scheme" and suggested it may be conditional upon the farmer "either surrendering their tenancy or selling or renting their farm".

Environmental Land Management funding

The aim of ELM is to secure a range of positive environmental benefits, whilst providing an additional income stream for land managers. The ELM scheme is being co-designed with stakeholders through the ELM tests and trials programme. Defra is currently welcoming [comments](#) on its initial thinking for the design of the ELM scheme.

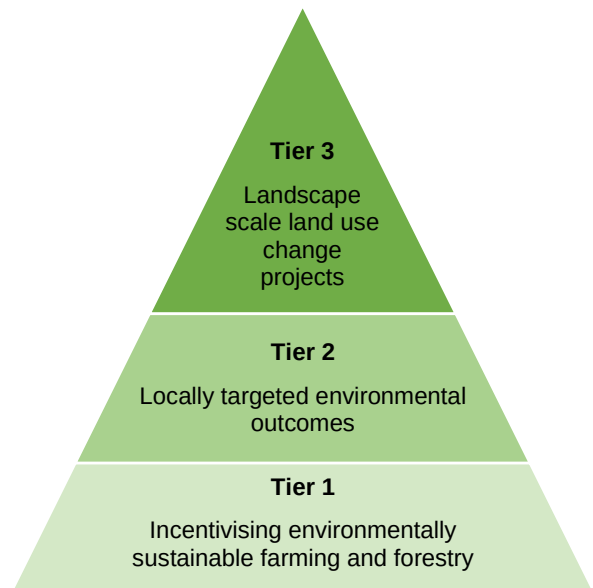
The update confirms that the ELM funding will consist of three tiers and will pay for the following public goods – clean and plentiful **water**, clean **air**, protection from and mitigation of **environmental hazards**, mitigation of and adaption to **climate change**, thriving **plants** and **wildlife**, beauty, **heritage** and engagement.

Defra is considering the benefits of grouping different actions and outcomes within tiers into 'packages' for applicants to choose between (a similar idea to the existing Wildlife Offers). These packages may be tailored to farm type or land type, for example we could have an upland package, or a package designed to focus on a particular outcome.

The focus of **tier one** will be on encouraging environmentally sustainable forestry and farming. It will include actions that most farmers could take across their land, such as using cover crops, planting wildflower margins, soil management, pest management or promoting efficient water use, much like the current Countryside Stewardship Schemes.

Tier two is to support land managers with locally targeted environmental outcomes. It will focus on delivering priority outcomes in the right places, and therefore will require spatial targeting, local planning and collaboration between land managers. Tier two may link in with the local nature recovery strategies proposed in the Environment Bill. Examples include improving local biodiversity, species recovery, flood management, rights of way, education infrastructure, and heritage asset management. It will cover habitat management activity as well as creation and restoration.

Tier three aims to deliver landscape scale land use change projects which will make substantial contributions to nature recovery and net zero targets. This could involve forest creation, peatland restoration and the restoration of wetlands and salt marshes. Projects will be in locations which provide best value for people and the environment, and will involve collaboration at local and landscape level.



ELM will begin its roll out in late 2024, following a national pilot which will start in late 2021. In advance of the ELM launch Defra is encouraging land managers to sign up to Countryside Stewardship to secure a viable long term source of income for providing environmental benefits. A stable transition between Countryside Stewardship and ELM is promised and all Countryside Stewardship agreements signed in 2021 onwards will allow the land manager to terminate the agreement if they have secured a place in ELM.

Plant and tree health schemes

Defra plans to offer tree health schemes alongside ELM, in order to improve tree health and mitigate pest and disease threats. Grants for treating and felling diseased trees will increase, as will grants for restocking woodland following a disease or pest outbreak. Government will provide financial support to local action groups to enable collaboration and information sharing between land managers. These grants will be available in 2024. They also plan to provide improved information on best practice biosecurity, training materials and rapid alerts.

Animal health and welfare pathway

An animal health and welfare pathway is planned to map out how farmers and government can work together to improve the health and welfare of farmed animals, supported by evidence and science. Enhancements based on the principle of animal sentience will be encouraged and could relate to the use of cages and crates, beak trimming and tail docking, and an animal's ability to exhibit natural behaviour in the correct settings. There are also proposed schemes to better control and eradicate endemic diseases, increase peer to peer learning between farmers and improve the interaction between farmers and vets. The aim is that by improving animal welfare, animal health will also improve. There are three ways in which these changes will be driven: increasing baseline regulatory requirements; improving consumer transparency in order to target the value-action gap (consumers reporting that they value high animal welfare but not matching this with purchasing decisions); and using public funds to support new techniques and management practices which enhance welfare. When the regulatory baseline is lifted, the Government knows it must consider the competitiveness of domestic producers against the standards applied to imports.

Supporting a prosperous and productive sector

Improving the productivity of agriculture is a necessity in order to ensure businesses can survive without direct payments. To help farmers, foresters and growers become more efficient, investment in suitable equipment and technology will be supported. Projects which add value to farm produce and increase returns by selling directly to customers will be supported too. Similar to the current Countryside Productivity scheme, there will be opportunities to apply for grants for both smaller and larger investments. The scheme will open in 2021 and will offer grants for a proportion of the total cost of the investment. Support for smaller investments will focus on a list of pre-determined items which would make an immediate difference to farm performance. The larger investments will be made through grant applications. Supported investments could include precision slurry application equipment, efficient irrigation systems, robotic harvesting equipment, variable pesticide applicators and food processing equipment.

Research and development package

Improved collaboration is viewed as key to unlock the potential of innovation in agriculture. From 2022 Defra plans to fund industry-led R&D syndicates, led by farmers in partnership with scientists, in order to find solutions to challenges facing the sector. Other initiatives include shorter technology trials, themed collaborative R&D, a single hub for evidence-based best practice for farming and growing, a skills leadership group and increased benchmarking through the use of standardised KPIs.

Turning policy into deliverable plans

Consultations are ongoing over how best to set prices and values for the public goods Defra intends to fund; options include competitive tendering and auctions, payments by results and project specific grants. They are also addressing the important question of how to blend public and private finance for environmental services. How significantly private natural capital markets will develop and the impact this will have on public funding for environmental goods is a key question.

Defra has highlighted the importance of clear information and advice in the implementation of these schemes and is considering one to one advisors, group training, telephone/online support and peer to peer learning. It also needs to decide how these packages and schemes will be monitored and what non-compliance measures will look like. There is talk of adopting a risk based approach to inspections and possibly using remote sensing to monitor scheme progress. We now have some direction on what the Government will fund, but work remains to develop this into schemes which are easily accessible, fully functioning incentives.

Defra's latest update sheds substantial light on the future of land management incentives. Nonetheless it is important to remember that both the Environment and Agriculture Bills are still progressing through parliament (both currently at Committee Stage) and therefore the powers under which ministers can implement their plans are not yet set in stone. However, when it comes to the future of Britain's farming, the elephant in the room remains the impact of new trading arrangements with the EU and other nations, for which we await news from Whitehall.

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