

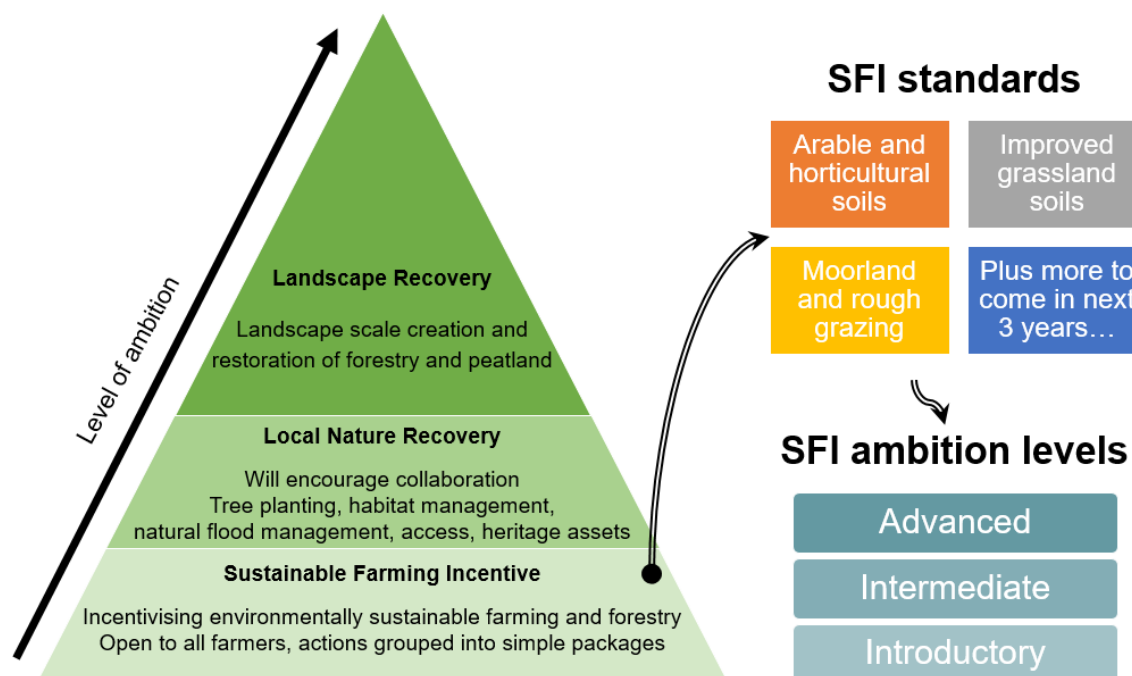
The 2022 Sustainable Farming Incentive

Introduction

The Sustainable Farming Incentive (SFI) is one of the new Environmental Land Management (ELM) schemes that Defra has designed to incentivise and reward farmers for providing public goods such as improved water quality, enhanced biodiversity and climate change mitigation, alongside food production. Defra has published full guidance on the scheme in advance of the application window opening for 2022.

The SFI is structured around standards. These are collections of actions relevant to a particular asset or theme on the farm. Farmers will be able to choose as many standards as they like. In time, each standard will have three levels of ambition (introductory, intermediate and advanced). The introductory level of the standards will pay farmers to meet a good level of sustainable environmental practice alongside food production, which is beyond the regulatory baseline and existing good farming practice. In turn the intermediate and advanced levels of ambition exceed existing good farming practice to a progressively greater extent.

Alongside the SFI, there are two other schemes within ELM – the Local Nature Recovery scheme and the Landscape Recovery scheme. The diagram below outlines the differences in what each scheme will pay land managers for. The SFI is accessible to all farmers and is relevant at farm level, whilst [Local Nature Recovery](#) focuses on habitat creation and management at a more collaborative, local scale, and [Landscape Recovery](#) is intended to fund large-scale projects that involve multiple stakeholders.



Availability of public environmental funding

Scheme	Timings
Sustainable Farming Incentive	Piloting ongoing, rollout from 2022, full range of standards launch in 2025
Local Nature Recovery	Phased rollout from 2023
Landscape Recovery	Piloting in 2022
Countryside Stewardship	Last applications for new agreements in 2023, to start in 2024

What's the purpose of the SFI?

The SFI is aimed at farmers and pays for actions that relate to farming activities and create environmental benefit. The scheme will help England meet its 25 Year Environment Plan, net zero and animal health and welfare ambitions. Defra's intention is that due to SFI, within a few years farmers will see 'producing environmental and climate change benefits as an integral part of their business, alongside food production'.

The SFI in 2022

In 2022, the SFI focuses on encouraging actions that improve soil health, recognise how moorland provides public goods to society, and improve animal health and welfare by helping farmers with the costs of veterinary advice for livestock. For 2022 there are three standards available to farmers. All SFI agreements will last for three years. Payments will be made on a quarterly basis, starting three months after the start date of an SFI agreement. During the three years of an agreement, payment rates will not change. Payment rates are not cumulative so at intermediate level farmers do not receive the introductory level payment as well.

Standard	Level	Payment rate	Required actions
Arable and horticultural soils	Introductory	£22/ha/year	1. Complete a soil assessment and produce a soil management plan 2. Test soil organic matter 3. Add organic matter to all land in the standard at least once during the 3-year SFI agreement 4. Have green cover on at least 70% of land in the standard over winter.
	Intermediate	£40/ha/year	1. Complete a soil assessment and produce a soil management plan 2. Test soil organic matter 3. Add organic matter to all land in the standard at least once during the 3-year SFI standards agreement 4. Have green cover on at least 50% of land in this level of the standard over winter and multi-species cover crops on an additional 20% of the land.
Improved grassland soils	Introductory	£28/ha/year	1. Complete a soil assessment and produce a soil management plan 2. Test soil organic matter 3. Minimise bare ground by having no more than 5% of the total area of land entered into the standard left bare over winter.
	Intermediate	£58/ha/year	1. Complete a soil assessment and produce a soil management plan 2. Test soil organic matter 3. Minimise bare ground by having no more than 5% of the total area of land entered into the standard left bare over winter 4. Establish or maintain herbal leys on at least 15% of land in this level of the standard.
Moorland	Introductory	£10.30/ha/year	1. Identify and record the soil and vegetation types and condition, and presence of historic and archaeological features 2. Assess the public goods the moorland is already providing 3. Identify opportunities to maintain or enhance the public goods provided by the moorland.
			Plus an additional moorland payment of £265 per agreement.
			In the period 2022-24, the introductory level of this standard should be seen as complimentary to participation in Countryside Stewardship (CS) and Higher Level Stewardship (HLS) agreements, and other schemes such as Farming in Protected Landscapes (FIPL). SFI will focus on assessment and planning for the future, while CS and HLS will continue to fund physical actions.

By 2025, these standards will all have three levels – introductory, intermediate and advanced.

Each land parcel can only be in one level per standard, but you don't have to choose the same level for all the land parcels entered into a standard. For example, you can select one land parcel for the introductory level and another land parcel for the intermediate level.

Who is eligible for an SFI agreement?

Only businesses that are currently eligible for the Basic Payment Scheme (BPS) are able to apply for an SFI standards agreement in 2022. The business does not need to claim BPS in 2022 or have received BPS payments

in the past. This rule limits access to those with five hectares or more of BPS eligible land and five or more BPS entitlements on 16 May 2022; it likely to be removed in the future (post 2024).

When will applications open?

Applications for an SFI standards agreement are expected to open from June 2022. They will remain open, meaning farmers can apply at a time that suits them. If the rolling application period has to be closed, six weeks' notice will be given. If applications are made when the scheme opens, it's likely that the agreement will start in autumn 2022.

How do I apply for an SFI agreement?

Applicants will apply online through the Rural Payments service. Before applications open, information will be published to guide applicants through the process, including details to help farmers with limited digital access. It is expected that the RPA will develop a 'single portal' approach for the future schemes, to enable farmers easily to understand which options across all of the land management and productivity grant schemes they are eligible for on their land.

What can I apply for?

Farmers can choose which eligible land parcels they wish to enter into which standard; they do not have to include all of their land parcels and there is no minimum or maximum area that can be entered. For 2022, applicants can only enter a land parcel into one of the three standards. In future, standards will be designed to be compatible with each other and applicants will be able to have a land parcel in more than one standard.

What land is eligible to apply for an SFI agreement?

The key eligibility criteria for applying to an SFI agreement are:

- The area is wholly located in England
- The area's registered land cover and land type are eligible for the standards that are chosen
- The applicant has management control of the land for the duration of the three year SFI standards agreement.

Eligible land cover and land type

The Rural Payments service contains digital maps which show the registered land cover of land parcels. Each land parcel has one or more registered land covers. The four categories of land cover are arable land, permanent grassland, permanent crops, and other (non-agricultural). Farmers are able to view the land cover that is currently registered for each land parcel through the Rural Payments website. Each standard is only eligible for certain identified land covers.

The land type describes the detailed use of the broad category of land cover; for example, different types of grassland or arable crop types. Each standard is only eligible for certain identified land types.

Standard	Eligible land cover	Eligible land type
Arable and horticultural soils	Arable land Permanent crops (only perennial crops) Other (non-agricultural) – drain/ditch/dyke on a boundary Other (non-agricultural) – track – natural surface.	Cultivated arable land, including land used for horticultural crops and temporary grassland. If there are drains, ditches, dykes or tracks those can also be counted as part of that land parcel's eligible land type area.
Improved grassland soils	Arable land (only if its land type is improved temporary grassland) Permanent grassland (only if its land type is improved permanent grassland) Other (non-agricultural) – drain/ditch/dyke on a boundary Other (non-agricultural) – track – natural surface.	Improved grassland (as defined by Defra); this includes both permanent and temporary grassland, as long as it's improved grassland. If there are drains, ditches, dykes or tracks, those can also be viewed as part of that land parcel's eligible land type area.
Moorland	Permanent grassland, other (non-agricultural), drain/ditch/dyke, pond, scree, boulders, rocky outcrop, heaps, notional – rock, bracken, scrub, trees, water, natural, mixed, scrub – ungrazeable, river/stream, drain/ditch/dyke, shingle, fen marsh and swamp, bog, gallop, heathland and bracken, non-utilised bank, archaeological site, uncropped.	Land located above the moorland line. There are some areas of land located above the moorland line that are not eligible for this standard. This includes arable land, farmyards, permanent crops, areas used for turf or peat production.

Temporary grassland – is land that has been in grass or other herbaceous forage for less than five consecutive years. This can be viewed as either arable land, and therefore entered into the arable and horticultural soils standard, or as improved grassland and entered into the improved grassland soils standard. However, land that has been in grass or herbaceous forage for five consecutive years or more becomes classified as permanent grassland. This means any temporary grassland which is entered into the arable and horticultural soils standard and becomes permanent grassland during the three year agreement, will cease to be eligible for the standard. Therefore, if it is intended to become permanent grassland farmers might want to consider entering it into the improved grassland standard instead.

Management control

Management control means that the person actively farming the land is the owner occupier (farming the land in hand or employing a contractor) or the tenant, or within a group that farms on common land. If land is under a tenancy, it is the tenant who can enter the land into the SFI as they are deemed to be the person actively farming the land. Landowners are not eligible to enter let land into the SFI. Tenants can only enter land into an SFI agreement if they expect to have management control of that land for its three year duration. Defra is clear that it is the expectation rather than contractual certainty which is key here, so tenants will need to discuss with their landlords and make a judgement call in cases where land is occupied on a rolling year-by-year basis or series of tenancies for terms of two years or less. It is unlikely that those who access land under a licence agreement have sufficient management control to apply for an SFI agreement. However, there is a level of flexibility as Defra is aware that in specific cases, there are exceptions to who has control of land management.

In the event that management control of the land is lost unexpectedly during the three year SFI standards agreement, Defra must be informed and the land will be removed from the agreement. Payments already received may not necessarily have to be repaid and unlike previous schemes there are no additional financial penalties.

How does the SFI interact with other government schemes?

The same piece of land can be in an SFI agreement and another scheme if all eligibility criteria are met, the activities and outcomes that the applicant is being paid for under each scheme are compatible and the applicant is not being paid for a similar activity or outcome on the same piece of land (which is known as double funding).

- **Basic Payment Scheme** – BPS and SFI are compatible
- **Lump Sum Exit Scheme (LSES)** – If an applicant applies for the LSES in 2022, they should not apply for SFI. However the continuing business is eligible in cases where only some partners in a partnership or shareholders in a limited company leave
- **Countryside Stewardship revenue options** – CS revenue options are compatible with SFI, as long as the CS actions, including their timings, work alongside the actions in the chosen standard and don't result in double funding. The eligible CS options for the soil standards are set out below. There are some ineligible rotational CS revenue options that are incompatible with the SFI and the area of the land parcel that they initially occupy cannot be entered into the SFI soils standards. The moorland standard is compatible with all CS revenue options because the introductory level of the moorland standard does not involve physical land management actions.

Standard	Compatible CS options
Arable and horticultural soils	ED1, BE3, SP10, AB5, AB11, AB14, AB12, SP9, OP3, OT4, OR3, OR4, HS3, HS9
Improved grasslands	BE3, BE6, BE7, ED1, OT1, SP10, OR1, SW9, SP7

- **Countryside Stewardship capital funding** – CS Capital Grants and the SFI are compatible
- **Environmental Stewardship** – Land in an existing HLS agreement can be entered into the introductory level of the moorland standard. The government will publish more information about the eligibility of land in HLS agreements for the soil standards before SFI applications open
- **SFI pilot** – Land parcels already in a SFI pilot standards agreement cannot be entered into a 2022 SFI standards agreement
- **Local Nature Recovery** – The SFI will be compatible with Local Nature Recovery, providing there is no double funding
- **Landscape Recovery** – The SFI will be compatible with Landscape Recovery
- **Farming in Protected Landscapes** – The SFI will be compatible with FIPL grants.

What about private sector schemes?

In 2022, applicants can enter the same area of land into an SFI standards agreement and a private sector scheme. Examples include land used for carbon trading, biodiversity net gain, or payments for natural flood management. This approach to private sector schemes will be reviewed by Defra annually.

Regulatory issues and constraints around an SFI agreement

If the land being entered into an SFI standards agreement has scheduled monuments, historic or archaeological features or is a Site of Special Scientific Interest, the applicant should check what restrictions and responsibilities apply to the land and whether they need to get consent before entering into an SFI standards agreement.

What do I have to do to get paid?

In order to get paid under the SFI, farmers must complete the actions in their chosen standards for a full agreement year, submit an annual declaration to confirm their progress and, when asked for it, supply evidence as specified within the standards. Payments are made quarterly in advance, but may need to be returned if a full agreement year is not completed.

Can I change my SFI agreement?

Applicants can request changes to their SFI agreement - they can upgrade their agreement annually, adding more standards, increasing the amount of land within the standard, or upgrading the level of a standard. If an applicant wants to reduce the level of a standard in their SFI agreement, they may have to pay back some or all of the money they have received. As a general principle, SFI agreements cannot be transferred between applicants.

How is the agreement monitored?

In order to monitor the progress of agreements, the Rural Payments Agency (RPA) will review each agreement's annual declaration and check relevant evidence. The RPA will conduct site visits, either in person or via video call, for a proportion of agreement holders, and it will also use remote monitoring technology (aerial photography and satellite imagery) to monitor progress without the need for physical inspections.

What if I cannot complete the agreement?

The RPA is adopting a new, more supportive approach to applicants who don't meet the terms and conditions of the agreement. If the agreement is not delivered as it should be, the government will first help the applicant to fix what has gone wrong. If applicants cannot deliver the agreement due to a specific reason, they must notify the government, in writing, as soon as reasonably practical.

What happens if someone breaches their agreement?

If the standards agreement is breached because the terms and conditions are not met, the RPA will investigate the suspected breach. Reasons for a breach include not completing the actions required, not reporting a change in circumstances which will affect deliverability, providing false or misleading information, not providing information when asked, and preventing a site visit from being carried out.

During the investigation the RPA intends to proactively communicate with the farmer and payments will not be withheld. The RPA will consider whether there are 'good reasons' for the breach which can be taken into account, including flooding, disease, serious illness, death, bankruptcy, supply chain problems and vandalism. In these cases, farmers must write to the RPA to explain the cause of the breach.

If the conclusion of the investigation is that formal action has to be taken, the farmer may have to repay some or all of the payments already made. If the RPA decides that it is possible for the farmer to fix what has gone wrong with the delivery of the SFI standards agreement, it will explain what must be done and no repayments will be required. Unlike previous schemes, there will be no additional financial penalties applied.

A serious breach that is intentional due to negligence, or has happened more than once without a good reason, could result in the termination of the SFI agreement or prevent the applicant from receiving payments under any other financial assistance scheme for up to two years. Issues of fraud or illegality will be pursued in line with the law.

Animal health and welfare review

The annual animal health and welfare review is also part of the SFI offer in 2022. The first reviews will be tested in summer 2022, before opening to eligible applicants in autumn 2022. The scheme provides funding for livestock keepers to have a vet or vet-led team of their choice visit their farm and carry out a review of the farm's eligible livestock. Applicants do not need to have an SFI standards agreement to be eligible to apply for the review.

If the farmer is eligible for BPS and has more than 10 cattle, 20 sheep and 50 pigs (in England), they may apply for the review. If the farmer has more than one species of livestock, such as cattle and sheep, and the number of livestock in each species exceeds the minimum threshold, they can have one review annually for each species. If the livestock are kept at different geographical locations, they may be eligible for more than one annual review.

The review will take 2-3 hours and the data that the vet collects may be shared with the government. There is a payment for each species, with the payment being intended to cover the costs of the vet, the farmers' time and testing for endemic diseases and conditions. The payment for each species is different, because the required testing for some species may take longer to do and some analysis is more expensive. The payment rates are £684 for a pig review, £436 for a sheep review, £522 for a beef cattle review and £372 for a dairy cattle review.

Future standards

Defra is refining and introducing new SFI standards each year and those planned for the next four years are listed below. These standards are only an indication of what may be introduced; they may be changed based on feedback from farmers.

2022	Arable and horticultural soils Improved grassland soils Moorland and rough grazing Annual health and welfare review	2023	Nutrient management Integrated pest management Hedgerows Soils standards (advanced levels)
2024	Agroforestry Low and no input grassland Moorland and rough grazing (all levels) Water body buffering Farmland biodiversity Moorland standard (intermediate and advanced)	2025	Organic On-farm woodland Orchards and specialist horticulture Heritage Dry stone walls

How to prepare for an application

Farmers intending to apply to the SFI in 2022 can take the following action now to prepare for when applications open:

- Check that your registered contact details and permissions are up to date on the Rural Payments service
- Check that you and your land are eligible for the SFI
- Check that your land parcel details and digital maps are up to date on the Rural Payments service.

Conclusion

This latest update from Defra provides more clarity on eligibility, requirements and processes for the SFI in 2022, which is welcome. Relative to the last update in December 2021 there are some slight tweaks in the guidance but no fundamental changes. The new, more collaborative approach that Defra is using to co-design these schemes means that regular updates and slight changes to proposals are likely to be more common.

Within the context of rising input prices and inflation across the economy, the SFI may offer a welcome additional income stream for farmers. However, rural land managers must remember that ELM is not a replacement for BPS income; it is instead an entirely new support system that is providing payments for very different actions – actions which come at a cost themselves.

Recent [research](#) for the Agriculture and Horticulture Development Board by Harper Adams University concluded that at 2022 payment rates most SFI standards will only provide a small financial benefit to many farmers when the costs of undertaking SFI actions are included. However if a farmer's system already includes some of the actions required and land does not need to be taken out of production, the net financial benefit to the business will be greater. Its scenario modelling suggested that the improved grassland soils standard at intermediate level would increase farm net profit by a maximum of 6-8%, whilst the arable and horticultural soils standard at intermediate level would increase farm net profit by a maximum of 1-2.5%. Whilst the modelling gives a useful indication, the costs and net benefits of participating in the SFI will vary at farm level and evolve as the scheme develops and economics of crop and livestock production vary.

Farmers are now able to evaluate how compatible the SFI standards available in 2022 are with their existing crop and livestock production systems. They can consider practically and financially how viable the changes needed to achieve a given level of ambition or stretch to the next level may be for their business. Undertaking this exercise now will help them develop a plan for integrating the SFI into their business and make sure they are ready to apply.

Contacts



Molly Biddell
Associate
molly.biddell@savills.com
+44 (0) 207 409 9987



Andrew Teanby
Associate Director
ateanby@savills.com
+44 (0) 1522 507 312

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