

Agricultural Transition Plan

Update

In brief

- Defra has set out three strategic aims for the agricultural transition plan: productivity and innovation, scale, and ambition
- Environmental land management (ELM) schemes are intended to underpin resilient and profitable food-producing businesses
- 50 new Sustainable Farming Incentive (SFI) standards will be available for SFI 2024, and payment rates have been increased for existing SFI and Countryside Stewardship (CS) actions.

Introduction

Environment Secretary Steve Barclay MP gave a policy update on the agricultural transition plan for England at this year's Oxford Farming Conference. The policy paper that accompanied the speech set out changes to existing schemes and intentions for 2024 and beyond as well as reviewing existing work to date. The paper is the first since the end of the Basic Payment Scheme and associated cross compliance in England and, as such, it gives insight into Defra's new approach to regulatory baselines and the integration of current and future land management schemes. The paper also explains how these will deliver against targets for food production, decarbonisation, nature recovery and water quality. We summarise the policy paper in this note.

Measuring success

The policy paper opens by stating the government wants to see "food production and the environment go hand in hand in a mutually reinforcing way", underpinning a clear land-sharing approach that has been notably absent from previous announcements on the ELM schemes. The policy paper sets out more detail on the individual targets for the environment and climate in the Environmental Improvement Plan (EIP) and Net Zero Growth Plan alongside the elements of ELM that will deliver change. This is split between universal or wide-scale actions that most or all farmers will be expected to adopt, tailored actions specific to certain habitats, and longer-term larger-scale actions. The table in Annex 1 illustrates the new targets set out in the ATP update (Targets A-H), and how these roughly correspond to existing targets included in the EIP or Net Zero Growth Plan, together with an indication of which funding sources are being used to meet those targets and a colour-coded guide as to what level of coverage is expected (large scale, tailored or longer-term). We have also included an assessment of current performance, but Defra's published statistics do not map directly to EIP or ATP targets, and data, particularly on soil and water, is either absent or out of date. This all presents a complex picture of accountability against which Defra will be expected to judge performance and adapt scheme options.

Priority 1 – Productivity and innovation: supporting food security and a thriving farming sector

Defra's headline commitment is to maintain food production at 60% self-sufficiency, with measures under ELM intended to make food-producing businesses more resilient and productive. This may include taking less productive land out of production to meet environmental and climate mitigation objectives. The paper signals that the Permitted Development Rights (PDR) planning system will be used to remove barriers to farmers being more financially resilient. A response to the agricultural PDR consultation undertaken in autumn 2023 is expected soon. This consultation proposed relaxations on extending agricultural buildings and on converting agricultural buildings into homes.

The Secretary of State's speech at Oxford also referred to a new scheme called 'ADOPT' (accelerating development of practices and technologies) under the Farming Innovation Programme, to encourage the adoption of new technologies on farm. This will be launched in 2024. Further funding under the Farming Investment Fund can be expected in 2024 including a new round of the smaller item Farming Equipment and Technology Fund, and the larger Farming Transformation Fund. The latter will include the option to fund the installation of solar panels for the first time, plus adult cattle and laying hen housing, and slurry infrastructure.

Priority 2 – Scale: making environmental schemes and regulations more attractive, fair and workable

By 2028, Defra wants there to be universal adoption of farming regulatory standards and at least 70% of farmers to be undertaking ELM actions alongside food production on at least 70% of farmed land. To achieve this ambitious goal, the paper proposes revisions to payment rates and frequencies under the ELM schemes. Revenue payments under CS and SFI have been increased with effect from 2024 and a rolling-three year review of all options will ensure payments and actions are kept up to date. Payment rates for some options are now more equitable between lowland and SDA farmers, and between 'creation' and 'maintenance' options so farmers with

established habitats such as species rich grassland are not disadvantaged. A single application service for SFI and CS Mid-Tier with a rolling application window will be launched in 2024. Mid-Tier agreement holders will only be able to apply for an SFI agreement on top of their current CS agreement. Existing SFI agreements can be upgraded to include the new options, or an additional agreement started.

Around fifty new SFI actions were announced, taking the total to around 180 CS and SFI revenue actions available from summer 2024, with new options for moorland, agroforestry and no-till practices made available for the first time. The grassland offer has been simplified, and upland farms will benefit from more moorland options. 16 more actions are available at the 3-year duration to benefit tenant farmers. Premium payments have been created for high value actions that deliver greater benefits, including nesting plots for lapwing at £765/ha, creating lowland heath at £711/ha, and options for agroforestry up to £849/ha. Floodplain management also features heavily in the 'premium payment' list. Organic farmers will now be eligible to apply for the majority of SFI and CS options, provided there is no double-funding.

Priority 3 – Ambition: encouraging and enabling more ambitious, targeted and effective action

The third priority builds on the first two, setting out an intention for a combined ELM offer that brings about a scale and ambition of action that has never been achieved before within the farming sector. This means the learnings of previous schemes need to be considered in evidencing and delivering new approaches, including broadening the offer and making it easier to apply, enabling farmers to combine actions and agreements, and increasing access to higher ambition agreements. Old-style HLS agreements will be phased out, but Defra's intention is for twice as many higher tier type agreements to be taken forward under CS than at present. Another round of Landscape Recovery will be delivered in 2024, and work will be done to coordinate all the ELM schemes with Local Nature Recovery Strategies as they emerge. Evidence has shown that Countryside Stewardship facilitation is particularly effective at encouraging the uptake of schemes, so the facilitation fund will be expanded and improved in 2024. Farm advice will also be expanded through a better coordinated Farming Advisory Service and the level of funding for approved external providers (such as land agents) to support and advise farmers will be significantly increased.

Notably, the paper makes it clear that some infrastructure grant funding is time limited, as farms are expected to reach and then exceed the required standard. Of the total £200 million budget, £34 million has already been invested in upgraded slurry stores and another £9 million spent on precision slurry spreading equipment. Further grant rounds will follow in 2024, but the deadline for intensive livestock farms to upgrade infrastructure is clear.

Conclusion

There is welcome language in this policy paper that a thriving agricultural sector is dependent upon a healthy natural environment. However, Defra's aspiration for improved productivity to take up the slack from marginal land taken out of production is perhaps still wishful. Dire weather this year should make it clear that sustaining yields even on good ground is sometimes outside farmers' control. The danger that the lowest-returning land is put into SFI options remains a threat to tenancies, but it appears Defra is watching this closely. It is tracking both how much land is being put into schemes by tenants and the overall area of tenanted land; action is promised if the current 2.9 million acres of land occupied by tenants in England begins to fall.

What's really missing still are the market drivers for sustainable, regenerative agriculture, and an understanding of how the land management schemes will link with emerging market expectations for low carbon produce. The agricultural transition is exposing farming in England to subsidy-free production across all sectors, but the behaviours of agri-food customers towards farmers and the environment is left unmentioned. It remains to be seen whether SFI will be sufficient to underpin risk in production, or if it proves to be a low-risk alternative to volatile markets and short-termist retail buyers. Maintaining food security at 60% will be the statistic to watch.

Contacts



Andrew Teanby
Associate Director
ateanby@savills.com
+44 (0) 7835 445 458



Kelly Hewson-Fisher
Head of Rural Research
kelly.hewsonfisher@savills.com
+44 (0) 7977 539 956

This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.

Annex 1: ATP targets, ambition levels and funding sources

Targets		Current status (2022, unless stated)	Funding sources (Key to abbreviations below)							
ATP	EIP/NZGP target		Regs	SFI	CS	LR	Grants	AHWP	R&D	Private finance
A: Improve farm productivity and maintain food production		Self-sufficiency = 60%								
	1. At least 40% of agricultural soil into sustainable management by 2028	No data								
	2. 65% of farms adopt nature-friendly practices on 10 to 15% of their land	14% of land is in a scheme								
B: Halt and reverse the decline in species abundance (species abundance index 1970 = 100)		20								
	1. Creating and restoring 500,000ha of wildlife rich habitat by 2042	LR Round 1 and 2 = 250,000ha								
	2. Restoring 75% of protected sites to favourable condition by 2042	36.8% favourable								
C: Reduce greenhouse gas emissions from agriculture		-1% (2018 to 2022)								
D: Increase tree canopy and woodland cover	1. Increase tree canopy and woodland cover to 16.5%	10.2%								
	2. Create or restore 48,000km of hedgerows by 2037	12,000km in CS options								
E: Peatland restoration	Restoration and maintenance of 240,000ha of peatland by 2050	No data - baseline commences 2025								
F: Water quality and management	Reduce nutrient pollution by at least 40% by 2038	16% of rivers classed as 'good' (2018)								
G: Improve air quality	Reduce nitrogen oxides by 73% compared to 2005	-63%								
H: Beauty, heritage, and engagement										

Key:

Wide-scale /universal	Targeted	Longer-term, larger-scale
--------------------------	----------	------------------------------

Regs	Regulation
SFI	Sustainable Farming Incentive
CS	Countryside Stewardship
LR	Landscape Recovery
Grants	Includes e.g. Farming in Protected Landscapes, Slurry Infrastructure, Farm Equipment Technology Fund
AHWP	Animal Health and Welfare Pathway
R&D	Research and development