

GB Agricultural policy update



As the Basic Payment Scheme (BPS) comes to an end in England and the full rollout of the Environmental Land Management (ELM) schemes is imminent, Scotland and Wales are each making progress in designing replacement policies for farmers whilst seeking to maintain a period of stability before BPS ends. This note compares progress across the country, assessing the similarities and differences between the home nations.

England

The Agriculture Act 2020 and the Environment Act 2021 were both lauded as early wins of the post-Brexit period, but it has only been through subsequent policy announcements on the ELM schemes that farmers in England have been able to make some sense of the choices they are facing. The government in Westminster has adopted a free-market approach to funding for agriculture, with no conditionality, no direct payments and little in the way of strategy to bring all the pressures on land together.

BPS ended in England in 2023, meaning that all future payments of the legacy BPS will be 'delinked' from the need to farm the land. Cross-compliance has, therefore, also ended and it has fallen to the existing enforcement agencies to pick up compliance issues on farms. In terms of funding, there is money being directed into environmental outcomes and productivity schemes. The environmental element - ELM - comprises three distinct elements: the Sustainable Farming Incentive, Countryside Stewardship 'Plus', and Landscape Recovery. These are not intended to be 'tiers' but choices for farmers to optimise for their own farms. SFI has been trialled and was rolled out more fully in 2023, but a much wider offering is expected later this year including an online portal integrating SFI and Countryside Stewardship Mid-tier options. Landscape Recovery has completed a successful second round, but the success of these transformative schemes will be whether the first round schemes attract private finance after their two-year initial funding period expires.

Funding for productivity continues to evolve and pull in large sums for capital investment from funds released from direct payments. At the NFU conference on 20th February, the budget for farming investment grants in 2024 was announced to be £220 million, including £70 million for the Farming Equipment and Technology Fund.

Scotland

Progress has been made on the framework [Agriculture and Rural Communities Bill](#), introduced to the Scottish parliament on 28 September 2023, enabling payments to be made to farmers and crofters. The draft bill sets out clear objectives for agriculture in Scotland, including the adoption of sustainable and regenerative practices, the production of high-quality food, the facilitation of on-farm nature restoration and climate mitigation, and enabling rural communities to thrive. A consultation on a new Natural Environment Bill for Scotland is also in train, setting out statutory biodiversity targets. Slow progress on legislation does not imply that Scotland is behind England and Wales in setting out its stall for farming. In reality, Scotland has done a lot of groundwork, especially on the climate impact of agriculture, through its Farmer-Led Groups initiative. As the new schemes come into fruition, they are likely to be more neatly lined up behind the Agriculture and Rural Communities Bill goals and statutory climate and environment targets.

The Agricultural Reform Route Map was updated in March 2024. This confirmed change will start in Scotland in 2025, with the first step being new conditionality attached to direct payments to farmers on top of existing cross-compliance conditions which will be preserved. Farmers in Scotland will have to continue to implement greening requirements until at least 2026. In 2026, BPS will then be split into Tier 1 and Tier 2, which the Scottish First Minister has confirmed will take up around 70% of the available budget. Tier 1 Base Payments will be a universal, entry-level payment for active farmers and food producers and be conditional on essential standards of climate, biodiversity and business efficiency, including fair work. A Whole Farm Plan will be part of this, but farmers have been given the choice over which two elements they deliver first, choosing from soil testing, animal health, and carbon and biodiversity audits. Tier 2 Enhanced Payments will be accessible to all farmers and paid to farm and croft businesses that deliver additional climate or nature restoration activities. The policy is explicit that these are intended to drive farmers in Scotland towards adopting regenerative agriculture.

Current schemes such as targeted capital investment, voluntary coupled support, Less Favoured Area Support Scheme (LFASS) and Agri-Environment Climate Scheme (AECS) will continue until at least 2026 when they will be reviewed against the new statutory frameworks, but each is likely to evolve into the new schemes. The other tiers are not expected to start until at least 2027: Tier 3 Elective Payments will be competitive and cover targeted

actions on nature restoration, innovation and supply chains, and Tier 4 Complementary Support will cover skills, continuous professional development, business support and measurement tools.

Wales

The most recent announcement from the Welsh government on its Sustainable Farming Scheme (SFS) has generated significant farmer unrest in Wales, as the Welsh Labour government pursues a prescriptive approach to agricultural policy. The SFS is however also highly supportive of Welsh farmers and producers and is clear that the policy is intended to underpin resilient food production in Wales. It remains to be seen whether headline conditionality requirements such as mandatory tree coverage and environmental management areas are dropped to alleviate farmers' concerns.

Wales passed its Agriculture (Wales) Act in 2023 and has recently opened a consultation on a new environmental governance and targets framework to underpin government activities in Wales (see our [briefing note](#) for more detail). Other guiding policy frameworks for its emerging agricultural policy include Wales' net zero commitments in its 2016 Environment Act and its influential Wellbeing of Future Generations (Wales) Act 2015. Wales has an ambition to bring its net zero target forward to 2035.

In terms of the agricultural transition, the Basic Payment Scheme in Wales will be phased out over four years, starting with a 20% reduction to direct payments in 2025. During this time, the existing Habitat Wales scheme (the successor to Glastir) will be available. From 2025, a new Universal Basic Payment (UBP) will be accessible to all farmers to switch into. The UBP will be conditional on recipients adhering to existing cross compliance obligations and a proposed list of 17 Universal Actions on a whole-farm basis – see our [briefing note](#) for more detail. The most contentious of these, the requirement for 10% of the suitable planting area of each farm to have tree cover, is intended to enable Wales to meet its targets for net zero-aligned woodland creation. In terms of value, during the transition, the UBP will be topped up to what the farmer would have received under BPS until the higher Optional and Collaborative Tiers come online. The timeline for this is unclear, but will be before 2029. It's not yet known whether and how funding will be targeted in future capital schemes.

Comment

The divergence in agricultural policy between the mainland home nations is evident, most clearly in the level of conditionality being placed on the 'basic' level of payments to farmers. In England, there is no conditionality with the 'entry-level' Sustainable Farming Incentive, whereas both Wales and Scotland are adopting a direct payments model where farmers access a universal level of funding in exchange for a much tougher level of conditionality on nature and climate goals and business performance. Scotland may have learnt something from the Welsh problems as it adopted a softer rollout of its Vision for Agriculture in March this year.

Implied but not evidenced in all of the announcements is a complimentary commitment to diversifying investment into nature recovery. England has forged ahead with Biodiversity Net Gain and a headline target to attract £1 billion a year of private finance into natural capital by 2030. Scotland has held on to its £20 billion funding goal, despite nerves around institutional land investment levels. Wales, in comparison, seems to be crowding out any private finance opportunities by requiring its farmers to deliver what private finance seems happy to pay for. This might reduce competition for land in Wales, but it will also leave Welsh farmers at the financial mercy of Westminster funding settlements. And it is that budgetary question which remains hanging over us all.

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