RESEARCH

BRIEFING NOTE

Sustainable Farming Incentive 2026

Rural – England – June 2026

savills

Final scheme information

In brief

Defra has confirmed the budget for the Sustainable Farming Incentive 2026 (SFI26) alongside a wider funding announcement and reset of Environmental Land Management schemes. It published the final scheme details on 17 June, with applications open from 30 June, and the offer simplified to 71 actions, a £100,000 annual agreement value cap, and a phased rollout prioritising smaller farms.

Introduction

SFI26 is the latest version of England's broad and shallow tier of Environmental Land Management (ELM), through which Defra pays farmers and land managers to support sustainable food production alongside soil health, water quality, biodiversity and farm resilience. Defra published near-final scheme information on 2 June 2026, and some clarifications and minor changes were reflected in the final information, which was published on 17 June. On 11 June, a £290 million funding package was announced, including £240 million for new SFI26 agreements and at least £50 million for Countryside Stewardship Higher Tier (CSHT), with Environment Secretary Emma Reynolds framing the offer around food security and domestic production. After the abrupt closure of SFI24 in March 2025, under which a quarter of spending went to just 4% of participating farms, SFI26 reopens England's main agri-environment offer, but with fewer actions, tighter budget controls and a clearer focus on where the money goes. Developed with farmers and industry, the scheme sits within a wider ELM programme under which around £560 million has already been committed.

What is changing in SFI 2026?

Defra describes SFI26 as "an iterated version of the 2024 scheme" - most features will be familiar to anyone who has applied before, but the offer has been deliberately simplified and streamlined. The action menu has been reduced from 102 to 71, with low-uptake options and those judged to deliver less for the environment or food production removed. Among the removals are all five assessment and planning actions, SAM1 (soil management plan), NUM1 (nutrient management review), IPM1 (integrated pest management plan), HRW1 (hedgerow condition assessment) and MOR1 (moorland assessment), which Defra said do not deliver direct environmental outcomes. Defra has highlighted a range of existing actions that can help reduce reliance on synthetic fertilisers, including PRF1 (variable-rate application of nutrients), CNUM2 (legume fallow), and CSAM2 (multi-species winter cover crops), framing them as ways to cut input costs amid global fertiliser price volatility. No new actions have been added to the scheme.

Each agreement sits at the farm business level, registered to its Single Business Identifier (SBI). Almost all actions now run for three years - the agreement duration will match the longest action selected. Where organic conversion actions are included, the agreement may extend beyond three years. Payments are made quarterly in arrears, with the first instalment around three months after the agreement starts. The fourth instalment each year is released only after the annual declaration confirming delivery has been submitted. The £100,000 annual cap and the one-agreement-per-business rule apply only to SFI26 - existing SFI23 and SFI24 commitments continue under their original terms and rates, and a business can hold both an existing SFI agreement and an SFI26 agreement. The SFI management payment will not continue, with funding redirected toward action-level payments; the value of an agreement will now depend entirely on the actions selected and the area entered.

Rotational actions can move between fields year on year and the area can be reduced in subsequent years, but cannot exceed the area entered in year one. Static actions remain fixed in both location and area. Ten "limited area" actions, including pollen and nectar margins (CAHL1), winter bird food (CAHL2) and grassy field corners (CAHL3), are capped collectively at 25% of the farm's agricultural area. Supplemental actions, intended to deepen the management already taken under a base action, must be applied for alongside that base action in the same application. A small set of agreement-level and organic-specific actions sits outside the standard area-based framework.

Under SFI24, a quarter of scheme funding went to just 4% of participating farms; the combination of the annual cap, phased windows and priority access for smaller holdings is designed to shift funding toward a broader base of agreement holders.

Eligibility, application windows and timing

Eligibility is set at the farm business level, identified by its SBI. For Window 1, the SBI must have been registered with the Rural Payments Agency before 1 January 2026. For Window 2, the business needs to have an SBI registered with the RPA when it starts the application.

- At the point of application, the business must hold at least three hectares of agricultural land linked to that SBI.
- For Window 1, applicants must also qualify under one of two priority groups: a small farm, defined as one with 50 hectares or fewer of agricultural land registered to its SBI on 1 January 2026; or a farm without a live, RPA-administered Environmental Land Management revenue agreement on the same date, meaning SFI, Countryside Stewardship Mid-Tier or Higher Tier (including woodland only and mixed), or Higher Level Stewardship.
- Standalone Capital Grants, private sector schemes and Landscape Recovery are not counted, so participants in those routes remain eligible.

Window 1 opens at the end of June 2026 with a ring-fenced budget of £60 million. Defra invited a small number of eligible farmers to apply from around 18 June to test the application service ahead of the full opening on 30 June. The window is expected to run for around two months, however, it may close earlier if that budget allocation is fully committed. Any unspent budget will roll into Window 2. Window 2, which follows in September 2026, is open to all eligible applicants and has no fixed closing date. Both operate within the wider £240 million SFI26 budget envelope. Defra has committed to publishing budget updates on its Farming Blog as 25%, 50%, and 75% is allocated.

Actions, payments and design flexibility

Each SFI26 action is built to a common structure - a defined aim, the eligible land on which it can be carried out, the requirements the agreement holder must meet, and a single national payment rate. This makes it possible to design an agreement that reflects the practical realities of a farm or estate, combining actions across arable land, grassland, moorland and boundary features. Defra has also rebalanced the underlying payment rates, with notable uplifts to several moorland actions and reductions to a small number of others, refreshing the relative value of the offer across land types. Three of the highest-uptake actions have had their payment rates reduced for SFI26 agreements - herbal leys (CSAM3) from £382/ha to £224/ha, winter bird food (CAHL2) from £853/ha to £648/ha, and legume fallow (CNUM3) from £593/ha to £532/ha. Under SFI24, these three actions alone accounted for around 43% of total scheme spend. The reductions apply only to new SFI26 agreements; existing SFI23 and SFI24 rates are unchanged. Rate increases to several moorland actions apply across all agreements.

Defra has also highlighted existing actions that support reduced synthetic fertiliser use, such as PRF1 (variable-rate application of nutrients) and CNUM2 (legume fallow), framing them as measures to cut input costs that have been subject to significant price volatility in recent years.

The payment is calculated each year against the area entered into each action, or against the input delivered for the small number of actions that are not area-based, and is released in four quarterly instalments. Each year, the agreement holder must submit an annual declaration confirming that the actions have been carried out before the fourth instalment is released, giving Defra a checkpoint against the three-year commitment.

The flexibility built into an agreement comes from how actions are combined, rather than from the latitude to change them once entered. Applicants can pair base actions with supplemental layers, move rotational actions between fields year on year to fit cropping plans, and bring in agreement-level or organic-specific actions where they apply (Table 1). The trade-off is that once year one has set the area for rotational and static actions, the area cannot exceed the year-one level (though it can be reduced) - supplemental actions remain tied to their supporting base, and the limited-area actions are constrained as a group. These changes mean SFI26 is less flexible for farmers than its predecessors; previously, some options could have their areas increased by up to 50% of year-one levels. Defra describes it as more “streamlined and controlled” and is clearly seeking greater certainty for its public support budget over the three-year term.

TABLE 1: SFI ACTION TYPES

Action category	Example SFI26 actions	What it applies to	Payment basis	Flexibility over the agreement
Base actions	CIPM4: No use of insecticides on arable and permanent crops	Standalone management that can be applied for on its own	Area-based, per hectare	Operates within the action's rotational or static rules; area set in year one
Supplemental actions	GRH8: Haymaking supplement (late cut)	Additional management layered onto a paired base action on the same land	Area-based, per hectare, on top of the base action	Tied to the area, location and duration of the supporting base action
Rotational actions	CSAM3: Herbal leys; CNUM3 Legume fallow	Annual or short-cycle management that can move between fields between years	Area-based, per hectare	Location can change in years two and three; total area capped at the area entered in year one
Static actions	CHRW2: Manage hedgerows	Longer-term management held in a fixed location for the agreement term	Per 100 metres of eligible hedgerow, or per hectare for area-based actions	Location and area are both fixed for the three-year agreement
Limited area actions (10 in total)	CAHL1: Pollen and nectar flower mix	A defined set of actions that take productive land out of production for wildlife habitat	Area-based, per hectare	Collectively capped at 25% of the farm's agricultural area, across SFI and CSHT agreements
Agreement-level actions	AHW2: Supplementary winter bird food	Inputs delivered across the agreement rather than tied to a defined area of land	Paid against the tonnage entered into the agreement	Operates outside the area-based framework; tied to the agreement as a whole and the area of CAHL2

Implications for rural land management and estate decision making

Because the area entered in year one is largely fixed for the duration of the agreement, getting the actions in the right places matters more at the point of application than it did under SFI24. Farms need to think carefully about how their chosen actions sit alongside or integrate into their rotation.

With the £100,000 cap, the 25% area limit on habitat actions and one agreement per business, SFI26 will not be the sole source of environmental income for larger farms or estates. Businesses will need to consider how it combines with Countryside Stewardship Higher Tier, capital grants, private markets, and other income streams to build a workable package.

The removal of the SFI management payment (£2,000 in year one, £1,000 in years two and three) and all five assessment and planning actions means that agreements will typically lose a base income of at least £2,781-£3,781 per year before any land management actions are factored in. Agreement value now depends entirely on the selected actions and the entered area, placing greater emphasis on getting the right combination at the outset. Farms or estates that run multiple SBIs, or layer SFI26 over existing SFI23 and SFI24 agreements, will need to consider how those structures interact.

For farmers with soon-to-expire ELM revenue agreements, including SFI23, Countryside Stewardship Mid Tier, legacy CS Higher Tier, and Higher Level Stewardship, Defra is amending the application platform to allow them to apply for SFI26 before their current agreement ends, to help avoid funding gaps. This will be available from Window 2 in September 2026, but not Window 1, so it suggested that small farms eligible for Window 1 who also have land in soon-to-expire agreements may benefit from waiting until Window 2.

The wider package has been positioned around food security and domestic production, with environmental outcomes and input cost reduction intended to complement rather than compete with one another. Defra's emphasis on existing actions that support reduced synthetic fertiliser use lends this practical weight, offering farm businesses a route to be paid for cutting an input cost that has been a significant source of volatility. For many, this strengthens the commercial case for participation alongside the environmental one; however, with current arable economics, the capped options, which involve temporarily removing land from production, are likely to remain popular.

For tenanted holdings, the move to three-year actions improves accessibility compared with earlier iterations. Tenants should confirm they have management control of the land for the duration of the agreement and ensure their landlord is aware, but the scheme does not require a permanent change in land use and is designed to work within standard tenancy arrangements.

Industry response

The announcement has been broadly welcomed for providing greater transparency over the SFI budget, though significant questions remain. The total commitment now stands at around £800 million, £240 million in annual spending on new SFI26 agreements in 2026/27, alongside around £560 million already committed across over 39,000 live agreements.

The NFU has welcomed the certainty but warned of a significant gap between the Government's ambition and the funding available to deliver it. More than 13,000 Countryside Stewardship Mid-Tier agreements are due to end this year, valued by the NFU at around £183 million, compared to a budget of £50 million for new agreements this year. There is a real risk that the budgets will not stretch far enough to enable farmers already delivering environmental outcomes to transition to SFI26 without a gap in support, or for others to introduce more ambitious and beneficial environmental management on their farms.

Wider industry reaction has echoed these concerns. Farm groups and legal commentators have questioned whether £240 million will meet demand, particularly given ongoing input cost pressures from rising fuel, fertiliser and energy prices. For farm businesses already on tight margins, the question is whether the payment rates on offer are high enough to justify the management commitment, particularly where input costs continue to rise.

Risks, points to watch and what to do next

Principal risks lie in the interaction between demand and the budget. With both windows operating within defined funding envelopes and no rolling access, timing is essential.

- If demand from small farms and new entrants is strong, the £60 million budget for Window 1 may be allocated well before its expected two-month run. Window 2 applicants take on the risk of a more competitive pool, drawing on the remaining budget.
- The holders of lower value agreements will most feel the loss of the management payment and planning actions, where they made up a larger share of overall value.
- Within an agreement, the year one area lock and the collective cap on limited area actions reduce the scope to adjust as cropping, markets or land use shift over the three-year term.

As SFI26 opens, allocation updates published by Defra will be an important indicator of demand and remaining headroom. If the Window 1 budget is used up, then Window 2 will open with £190 million available. At the extreme, it would be exhausted by 1,900 agreements at the maximum value cap. There are already 39,000 live SFI agreements worth £560 million, which is an average agreement value of £14,358. At this level, the new budget would fund 13,232 additional agreements. According to Defra's statistics, there were 102,300 farm holdings in England in 2024, so it could fund about 13% of them at this level. So, there is a real risk that the budget could be used rapidly, making application planning and preparation before the application windows open essential. Defra is likely hoping it will go further, given that the live agreements budget is skewed towards larger farms and heavy use of some high-value options, and it has restructured the scheme to counteract this. Even those who act early should prepare for a gap in funding. At its peak, the RPA was processing approximately 900 SFI24 agreements a week, so a backlog of applications is likely to build up.

Defra has confirmed that it expects the structure of the SFI to remain constant now for the remainder of this Parliament. What remains to be confirmed is whether "SFI26," with its one-agreement cap and £100,000 limit, will constitute the offer that remains available until 2029. It is also unclear, as SFI23 agreements expire (and in due course SFI24), how quickly this money will be returned to the available budget.

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