Introduction
Defra has published its detailed guide (the handbook) for the Sustainable Farming Incentive (SFI) scheme that will apply in England from this year. There are some notable amendments to the 2022 version of the scheme, which we reviewed in a previous briefing note. Many of the changes were previewed in Defra’s Environmental Land Management (ELM) scheme policy briefing published in January 2023, see our briefing note. We provide here an overview of the expanded and solidified 2023 SFI scheme, with a focus on the main changes from the 2022 scheme.

A revised structure
There has been a notable departure from the approach of SFI ‘standards’ available under the pilot and 2022 SFI scheme, with a wholesale switch to SFI ‘actions’ available on a pick and mix basis. For example, under the 2022 ‘soil standard’, introductory and intermediate levels were available at payment rates of £22/ha and £40/ha respectively differentiated by how much winter cover cropping was adopted. Within the 2023 version, this structure has been dropped and instead the actions have been split out into three independent elements, with the amount of land entered into each action for the farmer to choose based on the aims of the action (see further below). New identification codes have been adopted for all actions, with groupings based on the target habitat (e.g. SAM for soils, HRW for hedgerows, IGL for improved grassland) or management protocol (e.g. IPM for integrated pest management, NUM for nutrient management). Across the board this change to ‘actions’ makes the new SFI more adaptable, and it also means that more basic options are available to layer with other schemes. For example, farmers with land in Countryside Stewardship (CS) wildlife options previously couldn’t enter the pilot SFI soil standard as the over-wintered crops element conflicted with the CS prescriptions. Under the revised ‘actions’ approach, farmers should be able to access agreement level payments even with a CS scheme in place.

Plans, plots and prescriptions
The handbook codes the SFI actions in relation to the land or feature types that they relate to, but the actions represent three different scales of intervention, which can be summarised as ‘plans’, ‘plots’ and ‘prescriptions’. This categorisation could be helpful in establishing a farm’s appetite for engaging in different environmental land management activities under SFI, without using the language of ‘standards’ or suggesting that they are cumulative. We have produced a calculator to assess the net margin of these actions and will be updating this with the new structure and payment rates.

Plans: these are generally paid at a fixed rate, either per year or per agreement, and apply to the whole holding (known as ‘agreement level SFI actions’):
- SAM1: Assess soil, soil testing and management plans (£5.80/ha plus £95 per agreement)
- NUM1: Nutrient management plan by a FACTS qualified advisor (£598/year)
- IPM1: Integrated pest management plans by a BASIS qualified advisor (£989/year)
- HRW1: £3 per 100m for a hedgerow condition assessment
- MOR1: For farmers with moorland, a payment of £10.30/ha plus £265/year for a management plan.

For all farmers entering an area of land or hedges into SFI, an additional flat rate payment of £20/ha for the first 50 hectares is available to cover the cost of applying. It would in theory be possible to apply for an SFI agreement to cover NUM1 and IMP1 only, in which case no area-based additional flat rate payment is given. A payment is also available for an annual vet visit. The handbook states that government may ask for soil health data created under SAM1 to be disclosed to it as a ‘public good’, but the disclosure mechanism is not elaborated on at this stage. Many of these plans are required under a typical Red Tractor farm assurance protocol but within SFI they are renumbered as they are above the regulatory baseline; there is little reason why farmers would not want to apply to SFI to recoup some costs here.

Plots: as we noted in January, many of the new SFI actions are pulled from CS options for environmental crops and will be familiar to farmers who have been in mid-tier schemes. Examples include pollen and nectar flower mix (AHL1 £614/ha), winter bird food (AHL2 £732/ha) and buffer strips on arable/grass (AHL4 £451/ha and IGL3 £235/ha). These actions tend to be non-rotational, and available as whole or part-field options. As with CS, they can be useful for awkward corners and buffering vulnerable features. As the area-based element of the Basic Payment Scheme (BPS) will not be relevant after 16 May 2024 when delinking takes place, farmers will have greater freedom to leave
space for nature at the edges of fields. The plot options will be very viable alternatives for field corners, rationalising headlands, and utilising trickier fields.

Prescriptions: the most challenging actions of the SFI are intended to modify how a crop is grown to enhance its environmental benefits. This will be supportive for farmers wishing to undertake a regenerative transition, but may be challenging for conventional systems. These more ‘prescriptive’ actions tend to be rotational but need to cover the whole field or eligible area. Examples include:

- Integrated pest management for cereal crops: companion crop action (IPM3 £55/ha) and ‘no insecticide’ action (IPM4 £45/ha)
- Nutrient management on grass: Low input grassland actions LIG1 lowland and LIG2 upland both now paid at £151/ha and restrict nitrogen applications; legumes in improved grassland (NUM2 £102/ha) requires existing leys to be intersown with legumes
- Arable break crops: three year legume fallows (NUM3 £593/ha) and shorter herbal leys (SAM3 £382/ha), which can be cut and grazed.

For all of the actions, Defra has adopted a ‘minimum intervention’ approach. Each action has an aim, but it is left to the individual farmer to determine how to complete the action in a way that can be ‘reasonably expected’ to achieve the action’s aim. This enables existing habitats to be maintained under the SFI as well as new ones created. Defra’s approach will be ‘supportive and pragmatic’ on compliance, with the default to offer advice and guidance for issues that can be resolved. No doubt further guidance will need to follow for areas of difficulty.

Eligibility and definitions
It is to be hoped that the reality of applying for SFI online using the RPA portal will be substantially more straightforward than the protracted logic of land types, compatible land covers and land use codes set out in the handbook, which dictate what farmers can do and where, and whether each action is compatible with other schemes (including the pilot SFI) or not. In general, all farmers should be able to access the ‘plans’ actions (although obviously only the moorland and commons payments where these land types are present), but the availability of ‘plans’ and ‘prescriptions’ actions will depend on compatibility with underlying land types and uses and the terms of existing schemes.

For farmers not currently in the SFI pilot or SFI 2022, the priority should be ensuring that the land types showing on their RPA maps – arable, permanent crops and permanent grass – are correct, and that the land use codes – e.g. TG01 temporary grass, AC17 maize etc – declared for 2023 are accurate and compatible with the underlying land types, as this information will form the RPA mapping layer that guides farmers as to what their ‘eligible land area’ is for SFI 2023. There are additional restrictions on the actions that are available at field parcel level for SSSIs, peatland soils and historic and archaeological features.

Many farmers may have an existing scheme or be considering more than one scheme at this time, including private options. Farms that are currently in the SFI pilot or SFI 2022 will have the option to be migrated and upgraded to the new SFI, or to make an additional SFI application. The general principles are that land can be entered into SFI in 2023 in addition to another public or private scheme if:

- The applicant and the land are eligible for each scheme or funding source
- The activities and outcomes are compatible
- There is no double funding.

Management control
As recommended by the Rock Review, SFI agreements will now be for three years. Eligibility is guided by the general principle of ‘management control’ for the expected duration, meaning the applicant needs to “have sufficient control over how the land (and hedgerows, if relevant) is managed to complete what’s required in the SFI actions you choose”. In some situations, this will require a de facto assessment of the SFI agreement and the occupation agreement if it is unclear on the duration or extent of rights. The handbook clarifies that a landlord would not be able to enter SFI on let land as they would not be actively farming the land, but that the burden is on the tenant to check the terms of their agreement to confirm that they can complete the chosen SFI actions for the duration. Evidence must be supplied of management control if requested.

In line with Defra and the RPA’s new customer service focus, the language of the handbook is a refreshing and a much less intimidating read than previous schemes. Whilst it is clear that land should not be entered into SFI if the farmer does not have management control, and it will not normally be possible to reduce the agreement, transfer it
or end it early, there are provisions to cover a change in circumstances and there will be no additional financial penalties for a breach. If a tenant unexpectedly loses management control of land, there is the option just to remove that land from the SFI agreement. If this was due to a ‘change in circumstances’, payments received for that SFI year may not need to be repaid if the actions have been declared and completed for that year. Examples of ‘good reasons for a breach’ are listed at 5.3.7 of the handbook and include natural events such as prolonged adverse weather or disease, personal illness or death, unforeseen end of a tenancy or compulsory purchase, and supply chain problems such as a lack of lab testing capacity.

**Structure of SFI agreements**

Farmers can apply to join the 2023 SFI from August onwards. Start dates will be variable: the agreement will start on the first day of the month following approval and acceptance by the agreement holder. Payments (including the management payment) will be made automatically and quarterly, with the final payment conditional on submitting an annual declaration through the online portal in the last two months of any agreement year. At the end of year one and two of the agreement it will be possible to submit an ‘upgrade request’ to add additional SFI actions or areas to an existing agreement. As noted above, it will be harder — although possible – to reduce or end an agreement early. There is however a new ability for rotational options to be flexed to a minimum of 50% of their original size to account for field variations – annual payments will be based on the declared actual area. Agreement holders will be notified when their ‘declaration period’ window opens. The RPA may ask for evidence to be submitted on eligibility and completion of the SFI actions.

**Common land rules**

To account for the complexity of commoners’ rights and shared grazing arrangements, a provision has been created for farmers to come together to form a new ‘single entity’ to submit an SFI application. The additional costs of this are addressed through a common land ‘single entity’ payment of £6.15/ha. The single entity can be a sole beneficiary (in which case no additional payment is made), or two or more people coming together to form a formal body with a legally enforceable internal arrangement; either way, the single entity must have sufficient management control to execute the terms of the SFI agreement. The land must have been eligible as a common under BPS during the 2021, 2022 or 2023 scheme years. Where a group is coming together, it needs to have formally constituted itself as a single entity with a single bank account prior to making the application, but it is up to the group to decide how it wants to manage itself, including provisions for how changes in membership will be handled.

**Analysis**

Critics will suggest that the SFI scheme has been dialled down in ambition and is weak in requiring farmers to undertake minimum standards over and above the regulatory baseline. They will also note that in some cases farmers are being paid to do what assurance schemes already require of them, and that this data will sit in individual spreadsheets and folders, rather than form a meaningful baseline or drive the government’s numerous ambitions in its Environmental Improvement Plan. The integrity of these ambitions also is questionable: if government can claim that each SFI agreement containing an SAM1 action means that the soil is being managed sustainably, then it goes someway to meeting its own targets for soil health without really requiring farmers to change practices or drive improvements.

From the farmer’s perspective, the pick and mix approach offers welcome flexibility and will dramatically reduce the perceived barriers to taking part in the SFI. The ‘plans’ are being prepared anyway for the most part, and the ‘plots’ will be useful tools in generating income from marginal land, the perception of which will undoubtedly change as we delink payments and start to analyse production risk and profitability at field level. As farmers come under increasing pressure from supply chains and banks to farm in ecologically sensitive ways, the ‘prescriptions’ will be more appealing to a wider range of farmers. What’s really commendable and now clear is Defra’s reformed attitude to regulation and enforcement. Still, it will take time to rebuild trust with farmers used to threats and penalties, but the excuses for not engaging with ELM are falling away.

The magnitude of the shift from area-based payments to agri-environmental ones is plain to see, and its consequences in alternative land use options at farm scale will be significant for supply chains that are ignorantly reliant on farmers’ embedded production mindset. Farmers now have a simple and profitable alternative to producing food, or a meaningfully way to support environmentally-benign field-scale food production; unless they are paid to do the latter, the former will be the simpler option for many. Food-chain customers need to wake up to this just as much as farmers do.
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