



Defra Agricultural Transition Plan - ENGLAND

30 November 2020

Foreword by Mark Bridgeman

Defra has published their Agricultural Transition Plan for 2021-2024. It sets out the Government's plan for the new agricultural policy in England, starting in January 2021, when the UK leaves the EU Common Agricultural Policy (CAP).

The long-awaited document builds on the February policy statement, with more information on the current schemes, pilots and new schemes. Importantly, it includes details of the cuts in the Basic Payment Scheme (BPS) over the next 4 years. However, while the bad news on BPS is clear and upfront, there is a lack of detail on the opportunities and schemes that will replace it.

The Government has committed to investing the same total amount each year, through the life of this Parliament, to the end of 2024. The funding cuts from BPS will be recycled into other schemes such as productivity grants schemes and pilots for the new schemes. The new schemes are being 'co-designed', and the CLA team, and many CLA members, are actively involved.

We welcome the vision, as set out by the Ministerial team, of the need to achieve the twin objectives for the industry – a sustainable and profitable farming sector and environmental recovery. One cannot exist without the other.

The lack of detail on the range of new schemes and opportunities is frustrating, but it is important to start thinking about the future of your business now.

The CLA will be continuing to work with the Government to design schemes with our members in mind, and is here to provide advice, guidance and support to farmers and land managers over this period of significant change in the next few years.

The guidance note below, from the CLA Land Use Team, explains the Government documents in more detail and the CLA's perspective.



Introduction

Defra published a new document ‘**The Path to Sustainable Farming: An Agricultural Transition Plan 2021 to 2024**’ on Monday 30 November. It sets out how the ‘legacy’ schemes in England such as Basic Payment Scheme (BPS) and Countryside Stewardship scheme (CS) will change, alongside how new schemes will be piloted and introduced over the next 4 years up to 2024. It is accompanied by a shorter summary ‘**Farming is Changing**’ that will be sent to all current Basic Payment Recipients in due course. There is also an **Adviser Pack** that contains information and resources related to the changes.

It is worth noting that despite the titles of the documents and many of the scheme names, there is a lot for forestry and woodland. It is included in all levels of the new Environmental Land Management (ELM) scheme, but also covered in the productivity grants and research funds.

It is also clear that this is a process of change, rather than a single point of change. It will be important to have an understanding of the areas of interest to you, and to keep up to date with developments. There are links in the Defra document to sign up for email alerts when new information. The CLA will be publishing key documents and advice on the CLA website.

The key changes

<i>Existing schemes</i>	<ul style="list-style-type: none"> - Basic Payment Scheme payments will be gradually reduced, starting in 2021 and with at least 50% cut by 2024. Reductions beyond 2024 are not set out but 2027 will be the final year of BPS payments. - Countryside Stewardship agreements signed under EU regulations will continue. - New Simplified Countryside Stewardship agreements will be available from 2021, with the last application window in 2023, for a 2024 start. - Forestry and woodland grants and funding will continue to be available from the Forestry Commission. Future changes will be informed by the Tree Strategy due in early 2021.
<i>New schemes and pilots that will run between 2021-2024</i>	<ul style="list-style-type: none"> - The flagship Environmental Land Management scheme will be gradually introduced. <ul style="list-style-type: none"> o A new Sustainable Farming Incentive (SFI 2022) will gradually be introduced from 2022 and run to 2024, when the full SFI will be available. o Pilots for the Local Nature Recovery and Landscape Recovery parts of ELM will run until 2024. - A pilot for the Tree Health scheme will start in 2021. - A new Farmers in Protected Landscapes scheme will run from 2021-2024. - A new Farm Resilience scheme will run from 2021-2024. - A New Entrant scheme will run from 2022-2024. - A BPS lump sum exit scheme will be available in 2022, subject to consultation in early 2021.
<i>New schemes introduced from 2021 that will run beyond 2024</i>	<ul style="list-style-type: none"> - A new Innovation and Research programme from 2022 – 2028. - A new Farming Investment Fund will be introduced from August 2021 to provide grant funding for buildings, reservoirs, machinery, forestry equipment etc. This will run to 2026. - A new Slurry Investment Scheme will be introduced in 2022 to provide grants for slurry management. This will run to 2025. - Animal Health and Welfare Pathway will be run from 2022 with support for health and disease management, capital grants and payment by results.
<i>Schemes to be fully introduced from 2024</i>	<ul style="list-style-type: none"> - Full launch of the Environmental Land Management scheme. <ul style="list-style-type: none"> o Sustainable Farming Incentive o Local Nature Recovery o Landscape Recovery - Tree Health Scheme. - Delinking of remaining Basic Payments.

What will the changes mean?

Basic Payment Scheme

For many farmers the most significant change will be the cuts in Basic Payment Scheme (BPS). These payments will be phased out over the next 7 years, with the final payment in 2027. In 2021 Defra is applying progressive cuts, where there are higher cuts for larger recipients. In 2022, 2023 and 2024 there will be additional flat rate cuts for all applicants of 15% each year.

Payment banding	BPS cut for that portion			
	2021	2022	2023	2024
Up to £30,000	5%	20%	35%	50%
£30,000-£50,000	10%	25%	40%	55%
£50,000-£150,000	20%	35%	50%	65%
Over £150,000	25%	40%	55%	70%

Source: Adapted from Defra

Typically, this will result in reductions by 2024 of around 50% for the majority of recipients, and increasing to over 60% for the largest recipients (as the higher cuts only affect that portion).

Payment value before cuts	2021 payment	% cut	2022 payment	% cut	2023 payment	% cut	2024 payment	% cut
£5,000	£4,750	5%	£4,000	20%	£3,250	35%	£2,500	50%
£10,000	£9,500	5%	£8,000	20%	£6,500	35%	£5,000	50%
£20,000	£19,000	5%	£16,000	20%	£13,000	35%	£10,000	50%
£40,000	£37,500	6%	£31,500	21%	£25,500	36%	£19,500	51%
£80,000	£70,500	12%	£58,500	27%	£46,500	42%	£34,500	57%
£160,000	£134,000	16%	£110,000	31%	£86,000	45%	£62,000	61%

Source: Adapted from Defra

Defra plans to gradually introduce the **Sustainable Farming Incentive from 2022 (SFI 2022)** which will be easy to access and available to all BPS applicants who can deliver the required actions. This will compensate for the loss of BPS to some extent, but it will not replace all the lost BPS income. The scheme is in development and more details will be available in the first half of 2021. It is expected to be based around a number of packages that support environmentally sustainable farm husbandry e.g. soil management, arable and grassland options, farm woodland and management of boundaries (hedges and walls). Farmers and land managers will have the ability to sign up the options that suit their business and an increasing number of options will be available over the 2022-2024 period, before the ELM scheme is fully available.

Similarly, in recognition of the particular challenges faced by farmers and land managers operating in National Parks and Areas of Outstanding Natural Beauty, many of which are in upland areas and more reliant on BPS income, Defra is providing funding through a **Farmers in Protected Landscape scheme** that will help farmers adapt. This will provide time limited funding to the National Parks and Areas of Outstanding Natural Beauty for farm-based projects and infrastructure projects. This scheme will be developed in early 2021.

Delinking of direct payments is planned for 2024 at which point the remaining payments will be fixed and paid without any further conditions. **Lump sum payments for exiting** the industry might also be available in the early part of transition. These are subject to a consultation in 2021.

CLA Analysis – Basic Payment Scheme

The CLA lobbied against these levels of change in BPS before the new Environmental Land Management scheme is introduced in 2024. We argued for a delay in the start of cuts and for shallow cuts in the early years to avoid businesses coming under unnecessary financial stress. Defra has recognized the problem and while they have opted for steep cuts, they are planning to introduce the Sustainable Farming Incentive from 2022 which will provide a bridge to the full introduction of ELM.

The Farmers in Protected Landscapes scheme will provide targeted additional funding accessed through National Parks and Areas of Outstanding Natural Beauty. While this is welcome, it is quite a blunt instrument for targeting funding to those most reliant on BPS, and risks additional administrative cost with less funding going to those who need it.

Environmental and woodland schemes

The flagship new Environmental Land Management scheme is still in development and will not be fully available until 2024. It has three components – the **Sustainable Farming Incentive**, **Local Nature Recovery** and **Landscape Recovery**. In the short-term there will be national pilots running with more details available early in 2021 with information on how to get involved. The Sustainable Farming Incentive (see section above) will be gradually introduced from 2022.

In the meantime, **Countryside Stewardship** applications will be open until 2023 (for 2024 start date). Those in Countryside Stewardship will be able to cease their agreement without penalty once they have an ELM offer after 2024.

The current range of **woodland grants and maintenance funding** will continue to be available through the Forestry Commission for the time being, with future schemes and relationship with ELM developed following the publication of the Tree Strategy in 2021. Importantly, there is also a pilot Tree Health scheme starting in 2021 that will support management and replacement of diseased trees.

CLA Analysis – Environmental and woodland schemes

It is perhaps frustrating that the development of ELM scheme is not nearer completion, however the CLA has always maintained that it is better to get the scheme right that introduce it too early. The CLA set out the principles for a payment for public good scheme in our Land Management Contract back in May 2018 and many of the suggestions are reflected in the current plans.

The CLA policy team, and many members, have been involved in the ‘co-design’ process through the ELM Test and Trial programme and a wide range of workshops and stakeholder groups both nationally and locally. All this input has shaped the National Pilots that will be starting in 2021.

Much of this ‘co-design’ work is ongoing and the CLA remains heavily involved. One of the key missing parts is an indication of payment rates and Defra is doing further work on both the pricing mechanisms and the rates in preparation for the pilots. The CLA has always maintained that the ‘costs incurred’ model should be improved upon and can only be seen as a baseline, with a need for a profit element that reflects the value and the market.

The place of forestry and woodland in future schemes is also in development and will be informed by the 2021 Tree Strategy. What is clear is that forestry and woodland will be an important part of future policy in order to contribute to the UK net zero target. The development of carbon markets will also make it a more interesting option for landowners.

Productive and profitable farming and forestry

A number of schemes are being introduced to support farming businesses to adapt to the removal of BPS, changing consumer demands and more environmentally sustainable farming and forestry.

Farming Investment Fund: This will be available from August 2021. Despite its name this will be for both farming and forestry, and will provide grant funding towards investments in, for example, technology, buildings, machinery and forestry equipment.

Slurry Investment Scheme: This will be available from 2022. It is designed to help farmers improve slurry storage and management to reduce risks of environmental damage.

Innovation and Research programme: This programme will start in 2022 and aims to bring researchers, innovators, farmers and foresters together to drive transformation of the sector. There are three funds with differing size projects and duration to meet different needs.

Farm Resilience programme: The Farm Resilience programme will build on the 2020 pilot to provide advice and support for farmers affected by the changes in BPS.

Skills and training: Defra will support the establishment of a new Institute for Agriculture and Horticulture that will act as a hub for training and development.

New Entrant Support scheme: This scheme is still in development but will offer support to councils, cooperative and community land organisations, local partnerships, and private and institutional landowners to provide long-term opportunities for talented new entrants.

CLA Analysis – Productivity and resilience

The budget allocation for these schemes is significantly higher than was available through previous CAP schemes with an annual budget of over £200 million/annum. This reflects the CLA's proposed Business Adaptation Programme to provide funding to stimulate productivity growth through investment grants, skills development and business advice.

It would be easy to think that these programmes only focus on farming, but forestry and woodland are included in the Farm Investment Fund and in the Innovation and Research fund.

There will also be support through the UK Shared Prosperity Fund in the future, although timing is uncertain. It will be important for rural businesses that the previous support for diversification and skills training is available immediately. And while there is an emphasis on adoption of technology, there is no recognition of the on-going issues of rural connectivity.

Animal Health and Welfare schemes

Defra is co-designing an **Animal Health and Welfare Pathway** that will strengthen the regulatory baseline and support livestock farmers through capital grants and annual payments for welfare outcomes. There is on-going support for the Anti-Microbial Resistance National Action Plan and for biosecurity, as well as new programmes that will support vet visits and the creation of health and welfare management plans and diagnostic testing.

There will be **small and large capital grant schemes** that can be used to support investment in livestock handling facilities and equipment to improve biosecurity, for example. The grants will be available from late 2022 or early 2023. Work is also underway to investigate how **annual payments** could be made for high welfare outcomes and will be piloted in 2023.

CLA Analysis – Animal health and welfare

Improving livestock health and welfare has the potential to improve productivity and save money – the annual costs of diseases is high to both the industry and government - so it is no surprise that this is a focus on activity and is to be welcomed.

What you can do now

Review your farming business

Losing Basic Payment income will result in a need to review the profitability of farming enterprises and make changes to reduce the cost of production, become more efficient and investigate new markets. This might involve investment, and there will be grants available through the Farming Investment Fund, but it might equally involve looking at different business arrangements such as contract farming or collaboration on machinery and labour, for example. There will also be grants for those who need to invest in slurry management. There may be some funding available through the Farm Resilience scheme from March 2021.

For some, the policy changes might trigger discussions about the future of the farm. This needs careful consideration, and while there are some policies under consideration for supporting those who wish to exit the industry, it is a decision that should not be solely driven by incentives, and advice should be sought at an early stage.

Look at Countryside Stewardship

In the short-term, before the Environmental Land Management scheme is fully available in 2024, the new simplified Countryside Stewardship Scheme could provide an additional income and will be more attractive than the previous schemes. Given the environmental focus of ELM, developing skills and understanding in this area will be very important, so Countryside Stewardship could also be a useful stepping-stone for those who have not been in agri-environment before, or those who wish change existing Environmental Stewardship agreements.

Investigate diversification options

Over 60% of farming businesses already have some diversified income source, and it may be that this will play a more important part of the overall business income in the future. Diversification is not for everyone, but options for new opportunities or expanding existing businesses will be part of the mix.

Change is challenging

For some, the demise of the EU CAP is a good thing. The Basic Payment Scheme has been criticised for being poorly targeted based on land area rather than how the land is managed, and the rigid EU rules for inspection and disproportionate penalties were a major cause of anxiety for farmers and government. However, for the 75% of farming enterprises that are not profitable without Basic Payment Scheme, this will be a challenging time, even if there are new opportunities in the future. Few businesses will be unaffected by these changes.

We do not yet have perfect information on what the new schemes will look like or how they will work for individual businesses, but there is enough information to look at how your business might need to change. Doing nothing and waiting until the full picture emerges is not an option.

The CLA has resources available to help, including the Rural Asset Management plan template available at <https://www.cla.org.uk/rural-asset-management-ram-plans#>. The CLA regional and national advisory team are here to help you understand the changes, and how they will affect your business and will sign-post you to more detailed information and advice.

Summary of current schemes, pilots and new schemes

	Scheme	Purpose	7-year Agricultural Transition Period						
			2021	2022	2023	2024	2025	2026	2027
BPS	BPS cuts	Gradual removal of BPS							
	Delinked payments	Simplify administration							
	Lump sum payments	Exit programme							
Current Agri-env Schemes	EU Countryside Stewardship	Continuation of EU agreements							
	HLS extensions	Continuation of EU agreements							
	UK Countryside Stewardship	New UK agreements			Final appl.				
	Woodland grants								
Environmental land management	Sustainable Farming Incentive	Broad and shallow scheme	Pilot	SFI 2022	SFI 2022				
	Local Nature Recovery			Pilot	Pilot				
	Landscape Recovery	Woodland creation; peatland restoration		Pilot	Pilot				
Productivity and resilience	Farming Investment Fund	Grants for small and large investments							
	Slurry Investment Scheme	Grants for slurry management							
	Innovation, research and development programme	Syndicate fund Accelerator fund Collaboration fund							
	Farm Resilience Fund	Targeted advice and training							
	New entrant support	Innovative business models							
Animal & plant health	AHW grants	Large and small capital grants							
	AHW pathways	Available to all							
	Tree health		Pilot						
		Defra dates							
		Dates not set							
		Pilots							

For further information please contact CLA regional teams or national policy team