



Department  
for Environment  
Food & Rural Affairs

# The Path to Sustainable Farming: An Agricultural Transition Plan 2021 to 2024

November 2020

We are the Department for Environment, Food and Rural Affairs. We're responsible for improving and protecting the environment, growing the green economy and supporting our world-class food, farming and fishing industries.

We work closely with our 33 agencies and arm's length bodies on our ambition to make our air purer, our water cleaner, our land greener and our food more sustainable. Our mission is to restore and enhance the environment for the next generation, and to leave the environment in a better state than we found it.



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PB 14643

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# Foreword



My family have farmed in West Cornwall for six generations. The names of different fields were passed from each generation to the next. We knew our land and every field on each farm and we also knew how best to manage it. I understand the responsibility that farmers feel to the hard work of previous generations and their commitment to the future.

So, as we contemplate the biggest change in agricultural policy in half a century, we must design one that is not only right for the farmers of today but is also right for the farmers of tomorrow. The farmers we do not yet know. Those who yearn to farm but cannot get access to land; the farm managers who want to set out on their own; those who left the family farm twenty years ago but wish they could find a way to return.

It is because we are designing a policy for tomorrow's farmers as well as today's, that there can be no reprieve for arbitrary area-based subsidy payments. It makes no sense to subsidise land ownership and tenure where the largest subsidy payments too often go to the wealthiest landowners. Direct Payments artificially inflate land rents and stand in the way of new entrants getting access to land.

We want to remove the old style, top down rules and draconian penalties of the EU era. So, from next year, the so-called greening requirements such as the three-crop rule will go, and the Rural Payments Agency and other agencies will offer advice and support where possible rather than just penalties. We will also begin the transition away from area-based subsidies and divert the funds released into the environmental and other objectives set out in Section 1 of the Agriculture Act 2020.

In this moment of change, where, for the first time in fifty years, we have a chance to do things differently, we should think through from first principles what a coherent policy actually looks like and chart an orderly course towards it.

Over the last century, much of our wildlife-rich habitat has been lost, and many species are in long-term decline. I know that many farmers feel this loss keenly and are taking measures to reverse this decline; but we cannot deny that the intensification of agriculture and the bureaucratic Common Agricultural Policy have taken their toll on wildlife. To address this, we need to rediscover some of the agronomic techniques that my Great Grandfather might have deployed, but then fuse them with the best precision technology and plant science available to us today. I am confident that the changes set out in this document will help us deliver for nature.

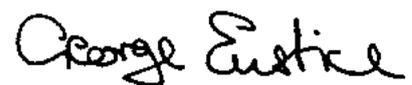
At the same time, our plans for future farming must tackle climate change. This is one of the most urgent challenges facing the world. So, as we take control of our agricultural policy, we can deliver the pace of change on land management for environmental benefits that the EU has never managed to achieve. Our farmers and land managers will play a crucial role in the national effort to reach Net Zero and our policies will help them do that.

The focus of our future policy will be the three components of Environmental Land Management. The Sustainable Farming Incentive will be a universal scheme open to all farmers and will support sustainable approaches to farm husbandry to deliver for the environment, such as actions to improve soil health and water quality, enhance hedgerows and promote integrated pest management. Local Nature Recovery will be a new scheme that eventually replaces Countryside Stewardship and will focus on building back nature into and beyond our farmed landscape.

Finally, Landscape Recovery will support more fundamental changes to land use in order to significantly enhance the landscape, restore wilder landscapes and enable us to meet our ambitious national targets and commitments, including the government's pledge to protect 30% of the UK's land by 2030 and the establishment of a Nature Recovery Network.

In addition to these environmental outcomes, we will also have new grants to support investment on farms to help enterprises reduce their costs and improve their profitability. We will champion skills and innovation with greater involvement by farmers and growers in research that seeks to address the challenge of improving productivity alongside opportunities for improving the environment. We also plan to introduce exit schemes to help farmers to retire and schemes to support new entrants with measures to make more holdings available to those who want to start out on their own.

Finally, we recognise that there is currently great reliance on the area-based subsidy payments, so we will change things gradually throughout the transition period. This will be an evolution from the old system to the new, not an overnight revolution. As the legacy payments are wound down, the money released will be made available for a broad range of new schemes. Rather than the prescriptive, top down rules of the EU era, we want to support the choices that farmers and land managers take on their holdings, and we will work with them to refine and develop the schemes we bring forward. If we work together to get this right, then a decade from now the rest of the world will want to follow our lead.



**Rt Hon George Eustice**

**Secretary of State for the Environment, Food and Rural Affairs**

# Part 1: The Agricultural Transition

## 1.1 Introduction

On 1 January 2021 the agricultural transition period will start. Between 2021 and 2027, we will gradually reduce and then stop untargeted Direct Payments. We will invest the money that we free up to support agriculture in different ways. We will pay farmers<sup>1</sup> to improve the environment, improve animal health and welfare, and reduce carbon emissions.

There will be three levels of support aimed at paying for sustainable farming practices, creating habitats for nature recovery and making landscape-scale change such as establishing new woodland and other ecosystem services. Some options will be universally open to all farmers and land managers, while others will be more targeted at a smaller number of large projects.

There will also be significant grants made available to support farmers to reduce their costs and improve their profitability, to help those who want to retire or leave the industry, and to create new opportunities and support for new entrants coming into the industry.

The dysfunctional, top-down rules and draconian penalties that were a feature of the EU era will be struck down or reformed. The binary divide between advice and enforcement will also be broken down. Instead there will be a modern approach to assurance and regulation with more holistic assessments of regulatory compliance and with greater emphasis on advice and improvement so that farmers and regulators work together to improve standards. This will be underpinned by credible deterrents for severe or serial harm.

Within the EU, policies were set for seven years with limited opportunity to improve. We will be more flexible and will co-design our policies with farmers and other experts and we will test, learn and adapt as we move through the transition.

We know that the move away from Direct Payments will be a big change for some farmers, so we are going to make the changes over a 7-year transition period to give everyone time to plan and adjust. We will be offering help to those who need it to plan and manage their businesses through the transition.

This document sets out the changes we are going to make, and what they will mean for farmers.

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<sup>1</sup> For the purpose of this document farmers refers to farmers, tenants, landowners, land managers, growers and foresters unless specified otherwise

### **1.1.1 What we are trying to achieve**

By 2028, we want to see:

- a renewed agricultural sector, producing healthy food for consumption at home and abroad, where farms can be profitable and economically sustainable without subsidy
- farming and the countryside contributing significantly to environmental goals including addressing climate change

### **1.1.2 What this means for farmers**

By 2028, our aim is that all farmers will be:

- running sustainable businesses that do not need to rely on public subsidy
- managing their whole business in a way that delivers profitable food production and the recovery of nature, fusing the best modern technology available today with the rediscovery of the traditional art of good farm husbandry
- able to access public money to help them deliver environmental and animal welfare outcomes on the land they manage and to help their businesses become more productive and sustainable
- meeting clear, relevant and outcome-focused legal standards that champion UK food internationally, prevent environmental harm, protect biosecurity and protect animal welfare

### **1.1.3 Our planned approach**

Our guiding principles for managing the transition are to:

- co-design policy with our farmers
- help farmers do the right things for their businesses, and the environment
- earn people's trust in our systems and approach
- make things as clear and simple as possible for farmers
- make things fair and reasonable
- make things work for those who have to use them

- focus on achieving outcomes
- adapt and learn as we go

Between 2021 and 2028, we plan to do a range of things which, taken together, will achieve our aims to:

- phase out Direct Payments and existing agri-environment schemes in a gradual, smooth and orderly way, starting in 2021, with the last Direct Payments being made in 2027
- introduce our Environmental Land Management approach to agri-environment schemes, through pilots and tests from 2021-2024; early roll out of some core elements of all components<sup>2</sup>, particularly the Sustainable Farming Incentive, from 2022; with all three components fully available from 2024
- establish an Animal Health and Welfare Pathway
- provide grant support to help farmers maintain and improve productivity, invest in research, development and sustainability through the transition
- replace EU-scheme-based regulation and enforcement with a new, more effective and trusted approach
- provide advice and guidance to farmers to help them make the right decisions for their circumstances
- help people through the transition, including with business planning, training and advice
- help farmers who wish to leave the sector with an exit scheme

#### **1.1.4 When the changes will happen**

Throughout the agricultural transition we will make reductions to Direct Payments and invest the money we free up in a better way. Farmers will see their receipts under Direct Payments progressively fall but will have the opportunity to access new schemes as that happens.

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<sup>2</sup> We refer to components, when previously we have said tiers

This will be an evolution, rather than a revolution. We will learn from new approaches and evolve the components of our policy framework so that they can improve and develop over time. Further information on the phasing of these changes can be found in Annex A.

This means that during the early years we won't be able to answer all the questions people rightly have about how this is going to work. This may be frustrating: we know farming operates to long time frames and we need to provide as much certainty as we can, as soon as we can. But to get this right we need to learn and improve things as we go. We plan to work openly with everyone with an interest in these changes.

## **2021**

In 2021 we will begin to reduce Direct Payments; improve how existing schemes and regulations operate; and offer grants to help farmers invest in environmental and productivity improvements.

We will make changes to cross-compliance, moving away from defaulting to financial penalties, instead using proportionate measures such as better communication. This will start to change the tone of Rural Payments Agency interactions with farmers to make them more constructive and advisory.

We will make the money we save from Direct Payment reductions available through schemes, grants and other types of support for farmers to manage land and their businesses more sustainably.

We will continue our programme of tests and trials and start a National Pilot of Environmental Land Management.

We will improve the approach to inspections by Defra agencies, allowing them to better support more farmers to meet minimum legal requirements.

We will offer advice and support to help farmers to plan for the transition.

During this time, we will work with farmers to co-design the way things will work from 2024 onwards. We know that we have previously not always got things right in the way we design and administer schemes and that this has caused problems for people. We plan to work hard to build trust in these reforms by working openly and collaboratively with the sector, learning and improving as we go to make sure that what we're doing will work on the ground.

## **2022 to 2023**

We will reduce total spend on Direct Payments by around 15% in both 2022 and 2023.

In 2022 we will start rolling out some core elements of Environmental Land Management. The Sustainable Farming Incentive will support sustainable approaches to farm husbandry to deliver for the environment, such as actions to improve soil health, enhance hedgerows and promote integrated pest management.

During 2022 and 2023 we will also make more funding available within the legacy Countryside Stewardship scheme. We will simplify the administration of the scheme further and seek to increase participation rates so that more people and land areas can benefit from being part of the scheme.

We will offer a slurry investment scheme from 2022, to help reduce pollution from farming and contribute to the 25 Year Environment Plan and net-zero commitments, and help farmers prepare for increasingly effective and comprehensive enforcement of the rules about slurry management over the transition period.

There will also be some new, standalone programmes to support tree planting, peatland restoration and nature recovery. These will be consolidated within our new Environmental Land Management offer after 2024.

We will be launching a new industry-led innovation, research and development scheme to invest in innovation and ensure there is practical translation of world-leading research in agriculture, so that it can directly benefit farmers.

Finally, from 2022 we plan to offer an exit support scheme to help farmers who want to retire. We will, at the same time, be offering additional support to help new entrants into the industry.

## **2024 to 2028**

The full roll-out of the three components of our Environmental Land Management offer will begin in late 2024, and we will make sure there is a smooth transition for those in existing agri-environment schemes or involved in pilots. By the end of 2024 we anticipate that legacy Basic Payment Scheme payments will have reduced by about 50%.

In 2024, following consultation, we plan to delink Direct Payments from the land. We will then phase the residual payments out, with the last payments made in 2027. Delinked payments will be calculated fairly, based on a reference period.

When we delink Direct Payments, we will stop using cross-compliance as the basis for regulation and enforcement or scheme compliance and will move to a new approach that we will co-design with the sector.

## Part 2: The Schemes

### 2.1 Paying for environmental and animal welfare outcomes

From 2024, we will introduce in full new schemes to reward farmers for producing public goods. We will continue to work with farmers, land managers and other partners to co-design these schemes from now until 2024.

Between 2021 and 2024, we will help farmers manage their land sustainably and prepare to take part in our Environmental Land Management offer. This will include:

- extensions to Countryside Stewardship and Environmental Stewardship, available for those who already have an agreement which is achieving positive environmental outcomes, and who wish to continue their agreement
- new Countryside Stewardship agreements, available for those who want to undertake a wider range of more ambitious environmental activities and receive capital payments
- the Environmental Land Management National Pilot, available for up to 5,500 farmers who want to be involved in helping us to learn and co-design the full scheme
- core elements of our Sustainable Farming Incentive - one of the components of our Environmental Land Management offer - available to all farmers in receipt of BPS from 2022 onwards

Further information on each of these schemes, including objectives and outline scheme design, can be found in Annex B.

We will increase the amount of funding available for the delivery of measures that can support our environmental objectives in each year of the early transition, using funding released from Direct Payments, as we move towards full roll-out of the three components of our Environmental Land Management scheme from 2024.

We will also honour the full extent of agreements we have already signed under the Rural Development Programme for England. This includes grants under the Countryside Productivity, Rural Growth, LEADER schemes and agri-environment and woodland agreements. These agreements continue to provide many benefits for farmers, the environment and rural economy.

## 2.2 Improving farm prosperity

Some farmers might want help to work out how best to get their businesses ready for the agricultural transition. We are offering a range of interventions including:

- offering a range of grant options which will help farmers invest in productivity measures
- providing support to new entrants seeking to develop new land-based businesses, by creating lasting opportunities to access land, infrastructure and support
- supporting farmers to invest in new slurry stores and equipment, helping them raise standards
- supporting more farmer-led innovation, as well as increased investment in long term research and development
- improving farm resilience by working with organisations to help farmers most affected by the removal of Direct Payments
- investing to improve the systems farmers use for training, and making more farmers more aware of and using of business support tools

Further information on each of these schemes, including objectives and outline scheme design, can be found in Annex C.

## 2.3 Direct Payments, including lump sums

We will make further simplifications to the 2021 Basic Payment Scheme, including:

- removing the greening rules, as announced in July 2020
- removing the requirement for farmers to use all Direct Payment entitlements at least once every two years
- removing the requirement for farm businesses with land in England and another UK nation to have all their land treated as one 'holding' for the purposes of the Basic Payment Scheme
- extending the application period for force majeure applications to 8 weeks

We will begin to apply reductions to the payments from 2021. We previously announced the maximum reduction percentages that we would apply to payments for the 2021 Basic Payment Scheme. We can now confirm our intention to apply these percentage reductions, and the further reductions for payments for the 2022 to 2024 scheme years as shown in Annex D. We intend to use the 2020 financial ceiling for England as the baseline for future annual financial ceilings. These will be used as the basis for calculating Basic Payment Scheme payments and applying reductions to these payments.

All recipients of the payments will see a reduction from 2021 onwards, but we will start by making larger reductions from those who receive the largest amounts. We are taking this approach as we think it is the fairest and the best way to help people manage the transition sustainably for their businesses. Further information outlining the reductions in Direct Payments can be found in Annex D.

All funding released from reductions in Direct Payments will be re-invested into delivering new schemes for farmers in this Parliament. This government has committed to maintaining the same level of funding for farming throughout this Parliament.

To allow farmers to leave the sector, a lump sum exit scheme would allow some farmers to receive a lump sum payment in place of Direct Payments (whether under the Basic Payment Scheme or delinked payments) they would have been entitled to receive during the remainder of the agricultural transition. They would need to meet relevant conditions, including leaving the sector. Our current intention is to offer lump sum exit payments in 2022. We will provide more details and ask for views on our proposals in our planned consultation. We are currently planning to delink payments in 2024, more information about delinked payments can be found at Annex D.

Cross-compliance requirements and standards will continue until we delink. After that we will move to a new regulatory regime which we will develop in partnership with the sector between 2021 and 2024. We know there are issues with the way cross-compliance works, and we will not wait until we introduce a new set of arrangements in 2024 to address those issues. From 2021 onwards we will prepare the way for the future. The changes will:

- support farmers back into compliance with greater communication rather than immediate penalties
- target Rural Payments Agency inspections at high-risk areas or those at higher risk, without reducing the overall number of inspections. And improve the amount of information pre-inspection, and the speed of post-inspection reports
- improve the support and guidance given to farmers to understand their obligations supporting the Farm Advisory Service

## 2.4 Regulation of legal requirements

By the end of the agricultural transition, we will have a reformed regulatory regime for agriculture. From 2021 we will start improving the way we manage within the existing rules and processes. We will consult during the early transition to allow a new regulatory approach to be implemented from 2024.

We want a clear distinction, and coherent relationship, between the basic requirements farmers are obliged to meet by law, and scheme standards where they are paid to go beyond this minimum.

There has been a huge amount of work on the future of regulation and enforcement in farming, including the Dame Glenys Stacey Farming Inspection and Regulation Review. We want to take our current thinking and, beginning with a programme of engagement this autumn, work with farmers and other stakeholders to shape our future regulatory framework.

Further information on our plans for a reformed regulatory regime can be found in Annex E.

## Part 3: How these reforms link with wider Defra and government policies

### 3.1 The 25 Year Environment Plan

The 25 Year Environment Plan published in 2018 sets out our comprehensive and long-term approach to protecting and enhancing our natural environment for the next generation. Through the three components of our Environmental Land Management scheme and the other policies in this document, we will make a significant contribution to the goals<sup>3</sup> of the 25 Year Environment Plan. To be most effective, the policies in this document will need to work with and strengthen other proposals to deliver improvements to our natural environment, many of which are being progressed through the Environment Bill.

The Environment Bill introduces measures– including Local Nature Recovery Strategies, Biodiversity Net Gain and Conservation Covenants – to incentivise, steer and secure positive land management practices alongside the three components of our Environmental Land Management scheme.

These measures will to help lay the foundation for a national Nature Recovery Network. Further details on such actions and outcomes will be set out in our new Nature Strategy for England, due for publication in 2021. The Nature Strategy will outline how we will implement new global targets domestically and meet our 25 Year Environment Plan goals for nature.

Our Environmental Land Management scheme will also help deliver the benefits of England’s Peat Strategy which is due to be published in 2020; by paying for sustainable peatland management and restoration.

In addition, Environmental Land Management will also play a role in supporting the “30by30” target, to protect 30% of England’s land for biodiversity by 2030, through habitat creation and restoration, or securing long-term management and protection for wildlife-rich habitats.

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<sup>3</sup> Clean air, Clean and plentiful water, thriving plants and wildlife, A reduced risk of harm from environmental hazards such as flooding and drought, Using resources from nature more sustainably and efficiently, Enhanced beauty, heritage and engagement with the natural environment, Mitigating and adapting to climate change, Minimising waste, Managing exposure to chemicals, Enhancing biosecurity

## 3.2 Net Zero and climate change adaptation

The UK will host the United Nations Framework Convention for Climate Change Conference of Parties (COP26) in November 2021. We will use this opportunity to build momentum for the repurposing of agricultural subsidies to protect and enhance our biodiversity and build resilience against climate change across agriculture, land use and food systems. We will do this by creating an international ‘coalition of the willing’ to ‘Build a Just Rural Transition’. We will lead by example drawing on the experience of the reforms we are pursuing in England.

Domestically, reaching our Net Zero target is one of this government’s top priorities. We know that reaching Net Zero will be a challenge, requiring action across the economy. This will mean changes to the way land is managed to reduce agricultural greenhouse gas emissions. We will support the sector to make these changes through the schemes set out in this plan. Simultaneously, we need to protect and increase our carbon stores, increasing afforestation and peat restoration rates across England, whilst supporting the adaptiveness and resilience of these ecosystems to risks which may arise under a changing climate. All three components of our new Environmental Land Management scheme will help deliver on this.

The recent consultation on an England Tree Strategy, which closed on 11<sup>th</sup> September 2020, will inform the publication of our strategy early next year, setting out a long-term vision for the forestry sector and a range of activities to drive woodland creation, and protect and manage our woodland. Initiatives and incentives to increase the level of tree planting will be a key part of this strategy.

During the transition, whilst the Environmental Land Management National Pilot and Tree Health pilot are in operation, there will be a number of opportunities for land managers to plant and manage trees. For example, this includes a programme of work on trees to deliver through the Nature for Climate Fund. We will work across these offers to ensure everyone understands what is available to them for tree planting.

We will also be looking to share best practice and lessons learned, which we can then incorporate into our full schemes when they launch in 2024. For information on Forestry Commission woodland grants see our [guidance on woodland grants](#).

## 3.3 Supply chain and food policies

As well as reforming agricultural policy, we want to improve the position of farmers in the markets they buy and sell in. We will use powers in the Agriculture Act 2020 to address market failures that have led to farmers having a weaker position in the supply chain. We have consulted on mandatory dairy contracts and will act to ensure that trading practices are fair for farmers in all sectors.

The National Food Strategy interim report was published in July 2020; Part 2 will be published in 2021. This independent review has highlighted the connection between environmentally sustainable farming and an effective food supply chain. We are committed to continual improvement in our agricultural and food policies and will update our objectives if necessary.

## Part 4: Working with you – further information and how you can get involved

The following summarises our plans for providing further information and some of the milestones for our ongoing co-design and engagement work.

### 2020

**Animal Welfare:** The payment-by-results research project will hold its first round of stakeholder workshops towards the end of 2020. Their aim is to identify potential animal welfare enhancements to take forward to the next research stage, which will assess economic viability and value-for-money.

**Regulating legal requirements:** We will be engaging with stakeholders later this year on our thinking for the design of the future regulatory system. As we undertake this engagement, we will build and reflect on the recommendations made in the Dame Glenys Stacey review and gather views and evidence from stakeholders to inform further policy development.

**Farming Investment Fund grants:** We are continuing to work with farming organisations as we develop the scheme design and decide what equipment and technology will be eligible for grants.

**Tree Health Pilot:** We are continuing to co-design the pilot and future scheme with stakeholders through a research programme to help shape the eligibility, payments rates and structures.

**Opportunities for new entrants:** Throughout 2020 and 2021 we will work with farming organisations, landowners, and new farmers to design the scheme so that it will provide real opportunities for new farmers to overcome existing barriers to starting a new farm business.

### 2021

**Environmental Land Management Pilot:** We plan to start sharing more detailed information about the National Pilot and inviting expressions of interest early in 2021.

**Animal Health:** A stakeholder event in Spring 2021 will provide more detail on the schemes that will be available.

**Research and Development:** Continued stakeholder engagement will inform scheme design, including a programme of workshops and regular communications to promote scheme launch from early 2022.

## Consultations

### Animal welfare

A consultation on welfare labelling is being prepared. The responses will inform the next stages of the work on consumer transparency.

### Slurry

By spring 2021 we will consult 2021 on legislation to introduce increased capacity requirements for slurry stores

### Delinked payments and lump sum exit scheme

We intend to consult on a proposed lump sum exit scheme and the approach to delinked payments.

### Pesticides

A consultation on our draft National Action Plan for the Sustainable Use of Pesticides will be published shortly. The responses to this will be considered as we finalise the Action Plan, which will set out our approach to support the uptake of Integrated Pest Management and ensure safe and sustainable use of pesticides.

### Dairy contracts

Between June and September 2020, a consultation was undertaken on the need for contract reform in the UK dairy sector. A summary of responses, outlining the findings, will be published early next year.

### Producer organisations

The Agriculture Act 2020 contains powers to design a domestic regime for recognising Producer Organisations. A public consultation on the future of Producer Organisations will be carried out in 2021.

## Stay in touch

To keep up to date on farming announcements, sign up to [Defra email alerts](#)

# Annexes

# Annex A

## Our plan for the transition

Table 1 describes our current plans for what schemes will be active at what times. Consistent with our overall plan, this is subject to refinement as we test, deliver and learn from previous years.

**Table 1: Timings for agricultural transition**

Live Schemes	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
<b>Environmental and animal welfare outcomes</b>							
New Countryside Stewardship agreements and capital grants	●	●	●				
Tests and Trials	●	●	●	●	●	●	
Environmental Land Management National Pilots	●	●	●	●			
Tree Health Pilot	●	●	●	(TBC)	(TBC)	(TBC)	(TBC)
Environmental Land Management – Sustainable		●	●	●	●	●	●

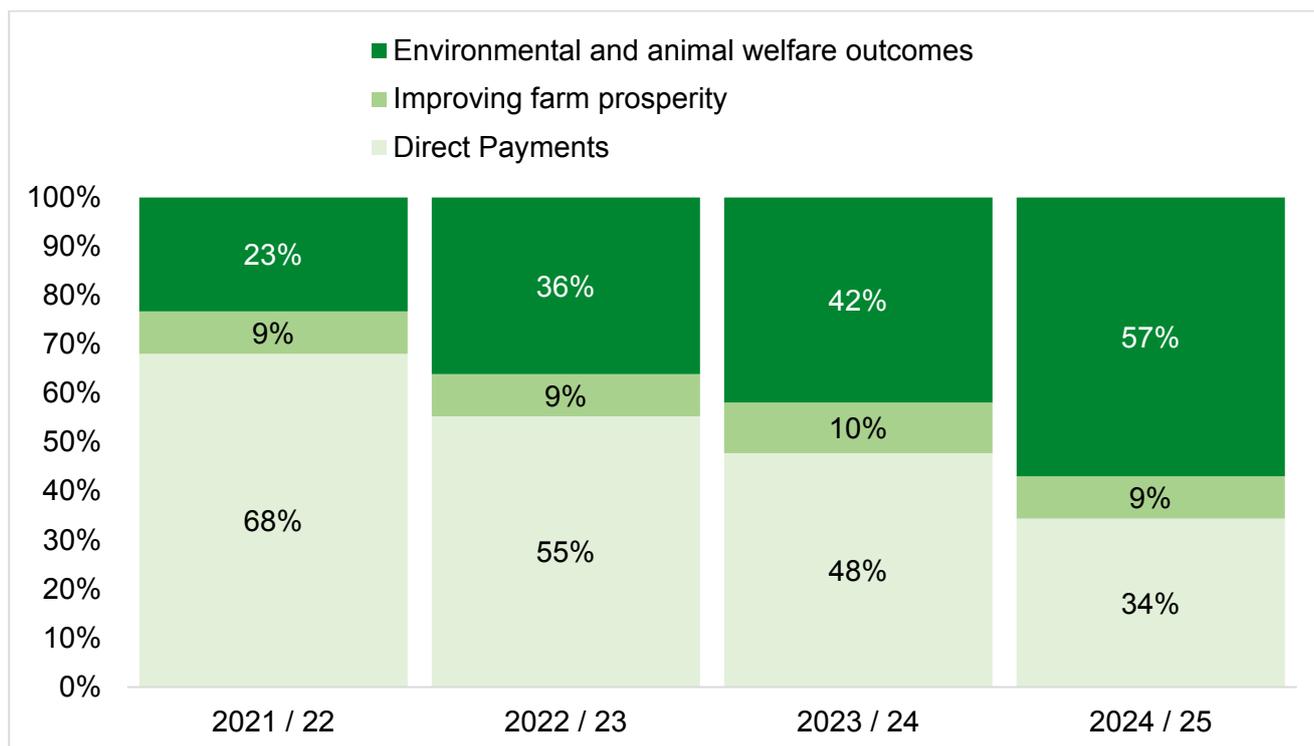
Farming Incentive							
Environmental Land Management – Local Nature Recovery				●	●	●	●
Environmental Land Management – Landscape Recovery				●	●	●	●
Farming in Protected Landscapes	●	●	●				
Animal health and welfare pathway		●	●	●	●	●	●
<b>Improving Farm Prosperity</b>							
Farming investment fund	●	●	●	●	●	(TBC)	(TBC)
Research and Development and Innovation		●	●	●	●	●	●
Slurry Investment Scheme		●	●	●			

Farm resilience support	●	●	●				
New Entrants Support Scheme		●	●	(TBC)	(TBC)	(TBC)	(TBC)
<b>Direct Payments</b>							
Direct Payments	●	●	●	●	●	●	●
Lump sum exit scheme (subject to consultation)		●					
Delinking				●			

### Spending priorities

Figure 1 below describes our spending plans across three areas of spend from 2021/22 to 2024/25. This is the first four years of the agricultural transition period and is covered by the government’s commitment to maintain current levels of spending in England, based on 2019 funding levels when the manifesto commitment was made. This amounts to an average of £2.4 billion a year over that period.

**Figure 1: Funding plan for 2021/22, 2022/23, 2023/24 and 2024/25**



In 2021/22, the period covered by the Government Spending Review, total spend is expected to be £2,415 million. Of that we intend to spend £1,644 million on Direct Payments, £562 million on new and existing schemes for environmental outcomes and £210 million on schemes supporting prosperity in the sector in addition to contributing to environmental and animal health welfare outcomes. We will quantify spending plans for meeting the manifesto commitment in future years as part of future Spending Reviews and subject to final policy designs.

As we move through the transition, we need to be able to adjust our funding allocations in-year as we see what works, and what schemes and support farmers are interested in. We will keep adjustments to a minimum, to provide as much certainty as possible, and we will make any changes in an open and transparent way.

We intend to continue to make gradual reductions in Direct Payments across the rest of the transition until the last year of Direct Payments in 2027.

We will allocate £20 million from the budget for technical assistance in 2021/22, as happens now. We will use this to help meet the costs of building the new schemes, grants and support, and to continuously improve the way we operate. Technical assistance spend is included in the environmental and animal welfare outcomes line in Figure 1.

## Annex B

### B.1 Legacy Countryside Stewardship and Environmental Stewardship

**We want:** To continue to contribute to our 25 Year Environment Plan and Net Zero goals from now to 2024, and to improve the way the schemes are delivered and managed for agreement holders.

**We will:** Continue to open new Countryside Stewardship schemes to new applications to help deliver important environmental benefits, and to create a smooth way for people to move from existing Countryside Stewardship and Higher-Level Stewardship schemes into the three components of our Environmental Land Management scheme from 2024.

Countryside Stewardship continues to provide farmers and land managers with the opportunity to deliver positive actions for the environment and be rewarded for it. We want to encourage farmers who are not currently delivering agri-environment and forestry agreements to apply.

From now until 2024, farmers whose agreements are already achieving positive environmental outcomes will be able to continue their agreements should they wish to. This could either be through extending existing agreements or through a new Countryside Stewardship agreement.

Countryside Stewardship will remain open to new applications until 2023, with the final round of agreements starting in January 2024. After that, all new agreements will be through the three components of our Environmental Land Management scheme.

We will start enabling people in Countryside Stewardship schemes to move into our Environmental Land Management scheme from 2024.

#### Scheme description

The scheme includes a range of offers:

- **Higher Tier:** 5-, 10-year (and in some cases 20-year) agreements with a range of options, supplements and capital items for environmentally-significant sites, commons and woodlands. These are largely focused on expiring Higher Level Stewardship agreements that require re-negotiation and new capital works, and on woodland management;

- **Mid-Tier:** 5-year agreements, providing a mixture of revenue payment options, supplements and capital items to achieve simple and effective environmental benefits.
- **Wildlife offers:** 5-year revenue-only agreements for specific farm types: lowland farming, mixed, upland and arable. These are quicker and simpler to apply for. They are not scored, meaning that you will get an agreement if you make a valid application.
- **Capital grants:** 2-year capital-only agreements to deliver specific environmental outcomes, including hedgerows and boundary improvements, delivery of water and air quality objectives and planning for more complex Higher Tier agreements. This also includes woodland creation grants, woodland tree health grants and the development of woodland management plans.

### What we have changed already

We opened a new round of Countryside Stewardship in February 2020 for agreements to start on 1 January 2021 under domestic legislation.

As part of the new offer, we expanded the scope of the Wildlife Offers to allow businesses with Scheduled Monuments on their land to be eligible to apply. The number of applications for these offers has increased since last year.

Farmers entering into new Countryside Stewardship agreements from 2021 will be able to:

- break those agreements at agreed points without penalty (through annual break clauses), once they have secured a place in our Environmental Land Management scheme. This includes, in a limited number of instances, the National Pilot
- remain on the same terms and conditions for the duration of their agreement if they want to

We have also put in place important changes to new Countryside Stewardship agreements starting from 2021. For these agreements, we have:

- **removed the application of additional penalties** for the over-declaration of land and scheme breaches; instead just adjusting the claim to the found area
- **changed our approach to inspection**, focusing on an on-site review that looks at whether or not the environmental outcomes have been achieved, and that doesn't disproportionately penalise farmers
- **developed a system of warnings** to give agreement holders a chance to put things right, where this is possible, and still get paid; and offering signposting to advice or guidance to help get things right
- **extended the application period for force majeure applications** to 8 weeks in line with the Basic Payment Scheme

## What is new for 2021

We intend to introduce further changes to support continued delivery of our 25 Year Environment Plan goals. We will:

- expand educational access provision to farmers in Mid-Tier agreements, to let school pupils visit farms for educational experiences and for care farming visits
- broaden the advice we provide as part of the Catchment Sensitive Farming scheme, so that it includes advice on air quality and flood mitigation, as well as on diffuse water pollution
- widen the scope of some of our current capital grants to cover air quality and introduce two new capital options specifically to address air quality issues
- increase the maximum level of funding available under capital-only grants to £20,000 for hedgerow and boundary, and water quality improvements. We will also expand the range of capital grants available in the standalone capital only offer, to better complement the Wildlife offers
- expand the eligibility of the upland option 'Management of rough grazing for birds', to allow it to be available in wider areas
- bring woodland creation and woodland maintenance options together, so that one automatically flows into the other
- look to run a further round of the Facilitation Fund, to help groups of farmers work together to improve the natural environment at a landscape scale and achieve greater improvements than individual holdings could on their own

## Eligibility

Each scheme has eligibility rules, and these apply to both the land and the farmer. Nearly all farmers will be eligible to apply for one or more Countryside Stewardship offers.

- **Higher Tier schemes:** are competitive and focused on the highest quality environmental sites. This means that not every applicant who meets the minimum criteria will be offered an agreement. The scheme funds restoration and management of habitats and offers capital and revenue payments supported by dedicated advisory support.
- **Mid-tier schemes:** are competitive. The scheme offers capital and revenue payments; farmers should be able to apply themselves or use a local adviser who understands the scheme and environmental issues.
- **Wildlife offers:** are not competitive. These are revenue-only agreements; farmers choose the area they want to put into the scheme and are provided with an agreement.
- **Capital grants:** are competitive and cover specific areas, such as hedgerow and boundary improvements, and water and air quality objectives.

Farmers might want to consider the combination of a Wildlife offer and standalone capital grants as these are simpler offers to apply for.

Please see further information on [when the next round of the scheme launches in 2021](#).

## Payments

The guidance and handbooks published for each offer set out the payment offers.

## Timings and process

We will open a further round of Countryside Stewardship offers in early 2021 for agreements. Thereafter, we intend to continue to offer Countryside Stewardship during the next two to three years with the last agreements starting in 2024. Where appropriate, we are extending Higher Level Stewardship and Countryside Stewardship agreements into 2022, and we are looking at how best to extend these further over the agricultural transition period.

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## B.2 Environmental Land Management

**We want:** To support farmers<sup>4</sup> to deliver public goods and make a significant contribution to the environment.

**We will:** Deliver a scheme that is flexible, achieves results and provides more choice to farmers.

We published a discussion document earlier this year and have been reviewing the responses, which were broadly supportive of our proposed approach. We will be publishing the responses and our reflections on them in early 2021, but we can now confirm the overall shape, as follows.

### What is Environmental Land Management for?

We aim to design and administer schemes in a way that:

- will support farming and the countryside to make a significant and widespread contribution to environmental goals, including by reducing greenhouse gas emissions
- is trusted by the sector
- attracts wide participation – we want to increase participation rates in Environmental Land Management schemes from the current 30% in agri-environment schemes to more than 70% of farmers by the end of the transition, with even higher participation in the Sustainable Farming Incentive
- supports a sustainable and vibrant sector

Our Environmental Land Management scheme will introduce a new approach to paying for public goods, with:

- more choice and control for farmers
- a greater focus on outcomes and the main practices and interventions that support them, rather than the bureaucracy and prescription that was required under EU schemes
- a fairer, more supportive and effective approach to compliance.

We will pay for delivery of land management actions that contribute to:

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<sup>4</sup> For the purpose of this document farmers refers to farmers, tenants, landowners, land managers, growers and foresters unless specified otherwise

- clean air
- clean and plentiful water
- thriving plants and wildlife
- reduction in and protection from environmental hazards
- mitigation of and adaptation to climate change
- enhanced beauty, heritage and engagement with the environment

## How Environmental Land Management will work

Our new approach will be made up of three component parts, which taken together will achieve the outcomes we are aiming for:

- **Sustainable Farming Incentive** will apply to farmers. It will pay them for actions they take to manage their land in an environmentally-sustainable way. Actions will be grouped into simple packages to make it as easy as possible for farmers to identify what actions are best suited to their land. All farms will be able to sign up. We'll support these farmers to develop a whole farm plan to help make their land and their business sustainable.
- **Local Nature Recovery** will pay for actions that support local nature recovery and deliver local environmental priorities; making sure the right things are delivered in the right places. The scheme will also encourage collaboration between farmers, helping them work together to improve their local environment. This component may have elements that are competitive.
- **Landscape Recovery** will support the delivery of landscape and ecosystem recovery through long-term, land use change projects, including projects to restore wilder landscapes in places where that is appropriate, large-scale tree planting and peatland restoration projects. These projects can deliver a wide variety of environmental outcomes and support local environmental priorities while making an important contribution to national targets. We expect that this component will be competitive.

The plan is for Sustainable Farming Incentive to be open and accessible to all farmers, to help them contribute to important environmental and animal health and welfare outcomes. We need this component to achieve important environmental outcomes across the whole countryside.

Local Nature Recovery and Landscape Recovery will be for farmers who want to go even further to achieve outcomes in a local area or at landscape and whole ecosystem scale. Eligibility for Landscape Recovery is likely to be project-specific and limited to land with the right natural capital assets and at the right scale to deliver transformational landscape recovery.

Participants will have flexibility to decide what they want to deliver under each component and how they want to go about it. We will provide guidance and advice from trusted sources to help them plan. We will ensure that the scheme works for tenants and landowners.

We are working to ensure that the design of our Environmental Land Management scheme reflects the full diversity of environmentally-sustainable techniques that are already producing environmental benefits, such as increased biodiversity and improved soil quality. These techniques include organics and regenerative practices, as well as the landscape and character contribution of the uplands, commons, and rare and native breeds.

### How we will pay for public goods

The way we pay for public goods will be different – less prescription, more choice and flexibility. The length of the agreements will be flexible according to individual circumstances and what farmers want to deliver through their agreements.

Examples of the types of actions we envisage paying for include but are not limited to:

- **The Sustainable Farming Incentive** will focus on: cropland management; grassland management; livestock management; tree and woodland management; boundary and hedgerow management; soil management; nutrient management; integrated pest management; efficient water use; wildlife and biodiversity; and the protection of heritage assets – where these go further than regulatory requirements.
- **Local Nature Recovery** will focus on: creating, managing and restoring habitats such as woodland, wetlands, freshwater, peatland, heathland, species-rich grassland, and coastal habitat, as well as connecting isolated habitats to form networks; natural flood management; species management; rights of way, navigation and recreation infrastructure; education infrastructure, events and services; and geodiversity and heritage asset management.
- **Landscape Recovery** will focus on large-scale forest and woodland creation, restoration and improvement; ecosystem restoration; peatland restoration; and the creation and restoration of coastal habitats such as wetlands and salt marsh.

Payments will be set to make sure that making environmental improvements is financially viable and fair, and to encourage a high level of participation, which will be critical to achieving our environmental objectives.

There is scope to blend public and private funding and finance, including through mechanisms such as reverse auctions and marketplaces for ecosystems services that offer both public and private benefits. This is particularly likely within Landscape Recovery, given its focus on discrete large-scale projects, although there are also opportunities within

the Sustainable Farming Incentive and Local Nature Recovery. This will help us deliver the environmental objectives at greater scale and ambition than we could using public funding alone. We plan to develop our policy proposition for how we might blend finance over the coming months, with a view to testing potential mechanisms through tests and trials and the National Pilot.

In developing our approach to calculating payments we are learning lessons from current schemes, testing aspects through tests and trials and are acutely aware that payments need to provide a fair return to participants if our Environmental Land Management scheme is to deliver on our challenging ambitions.

We will set out more detail on the specific types of land management action that we plan to pay for and how we will set payment rates in early 2021.

### **National pilot, tests and trials**

We are developing these schemes in close collaboration with farmers, running tests and trials including around 3,000 farmers and land managers; and running a national pilot for up to 5,500. This will help us to develop, in collaboration with farmers, schemes that work for their users and deliver the intended outcomes for the sector, the environment, biodiversity and climate change.

### **Consultation**

In February 2020 we published a discussion document on environmental land management which asked a set of questions about how we should shape the pilot and the full scheme. We received over 1,400 detailed responses to the document and had conversations with over 1,700 people at a series of webinars throughout the summer.

Most of the responses were supportive of the broad scheme designs; and we received many helpful suggestions and ideas to improve them and inform the detailed scheme rules. We will publish a summary of the results of this consultation exercise later in the year, together with detailed information on how the schemes will work.

### **Pathway to Environmental Land Management**

From 2021 to 2024, we will provide a range of options to help farmers manage their land sustainably and prepare to take part in our new schemes from 2024 onwards, these will include:

- extensions to Countryside Stewardship and Environmental Stewardship will be available for those who already have an agreement that is achieving positive environmental outcomes, and who wish to continue their agreement

- new Countryside Stewardship agreements will be available for those farmers who want to undertake a wider range of more ambitious environmental activities and receive capital payments
- the National Pilot will be available for up to 5,500 farmers who want to be involved helping us to learn and co-design the full ambition for our new schemes
- early elements of Sustainable Farming Incentive will be available to all farmers in receipt of Basic Payment Scheme payments, from 2022 onwards

We will increase the amount of funding available for delivery of environmental outcomes in each year of the early transition, using funding released from Direct Payment reductions, as we move towards roll-out of our Environmental Land Management schemes.

From 2021 onwards, we will also start preparing Landscape Recovery, to help us start delivering ambitious outcomes, and to help us test and improve the design of the scheme. This will include some ambitious Landscape Recovery projects to achieve landscape-scale transformational change, starting from 2022. We will publish details of our plans for these projects and how to get involved in 2021.

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## B.3 National Pilot, tests and trials

**We want:** To design our Environmental Land Management schemes with farmers<sup>5</sup>, so that it works as well as possible for them

**We will:** Work with thousands of farmers across England to learn about how our Environmental Land Management schemes will operate on their farms, in advance of the full launch of the schemes in 2024

We are developing our Environmental Land Management offer in partnership with farmers and other partners. We are doing this through a series of tests and trials, which are already underway, and through a National Pilot which will start in 2021.

There are around 70 tests and trials underway involving 3,000 farmers. These have been designed to look at individual elements of our future schemes (e.g. how best to construct land management plans, how best to use advisers in a safe space to test and fail). We will be starting some new tests and trials in 2021 and will publish information in early 2021 about how to take part.

Through the National Pilot we will be able to test how all elements of Sustainable Farming Incentive work together and develop the real-world operation. The learning from the pilot will be fed directly into scheme design and implementation planning for the roll out of the full schemes in 2024.

### Scheme description

Through the National Pilot we intend to learn about:

- real world operation of our Environmental Land Management schemes – for example, how they work for farmers and how far are they capable of delivering on our environmental ambition
- processes and systems – i.e. the administrative tools, business processes and IT systems that support the schemes – we will be aiming to make this work much better for participants than existing schemes, for example by providing timely decisions and payments, with a clear explanation of the basis of each payment

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<sup>5</sup> For the purpose of this document farmers refers to farmers, land managers growers and foresters unless specified otherwise

- cross cutting issues – for example, how do farmers feel about the new Environmental Land Management schemes, and are there simpler ways to achieve our aims?

Not all elements of the three components of our Environmental Land Management offer will be fully formed at the start of the National Pilot – we will be learning and developing as we go, whilst carefully safeguarding and improving our ability to make timely payments and decisions through existing schemes and the pilot. We will be learning and experimenting to see what works best and improving our approaches and systems. This could mean, for instance, that we stop doing something if we find it does not work or is unhelpful, or that we introduce new elements during the pilot to see if they help address the issues we find.

We will also be continuously improving all digital and operational services throughout the agricultural transition, to make sure they work as well as possible for our farmers.

### **Structure of the National Pilot**

The pilot will test all three components of our Environmental Land Management offer, but with entry staggered over time to enable us to iterate and improve the scheme as we learn more.

We will be publishing more information about the pilots and inviting expressions of interest for the first round of pilots early in 2021. At that time, we will provide more information about the plans for Sustainable Farming Incentive and Local Nature Recovery pilots.

For the Landscape Recovery National Pilot, we will initiate a number of long-term projects between 2022-2024 to help us restore wilder landscapes and to form the basis of the Landscape element of the National Pilot. The focus will be on large-scale sites, typically around 2000-3000 hectares, where there are opportunities to significantly enhance the landscape to deliver a diverse range of environmental outcomes. This will support the delivery of our ambitious national targets and commitments, such as the government's pledge to protect 30% of the UK's land by 2030 and the establishment of a Nature Recovery Network.

Eligible projects could focus on creating woodland, restoring wetland and peatland, enhancing bogs, fens or saltmarshes, or other valuable land-use change, and they could create, expand or link nature reserves. Suitable sites could be provided by groups of farmers, individuals, or organisations such as Non-Government Organisations.

Agreements may be multi-annual and we will expect to employ blended public and private finance. We are considering how best to safeguard these valuable new sites for the future, and we will explore options for statutory protection, for example by designating the sites as

National Nature Reserves. In recognition of the importance of food production and farming, we will aim to avoid delivering these projects on high-value agricultural land.

## Eligibility

We will recruit a broad range of participants representing all types of farmers likely to be eligible for the three components of our Environmental Land Management offer, including different farm types, horticulturists and foresters. We will also take account of other considerations, such as size of holding; whether they are tenants, landowners, commoners or other types of land tenure; geography; level of digital access; and experience of farming/agri-environment schemes.

Places in the National Pilot will be limited. We will share details of eligibility and how to get involved when we launch the pilot in 2021. Our current plan is that:

- recruitment into the National Pilot will be staggered in three phases, to allow us to test improved prototypes as we go
- we intend to involve over 1,000 farmers in phase 1 of the pilot; scaling up to around 5,500 in total by the end of phase 3, with the pilot progressively evolving and extending the range of participants over the 3 years

Participants will enter into National Pilot agreements, which would last until the pilot ends. So, people who join early would be in the National Pilot longer than people who join later, and they would all finish together when the National Pilot ends in late 2024. We expect that participants will apply to transfer to the full scheme once available, but that will be the participants' choice.

## Payments

Participants will be paid a competitive rate for taking part in the National Pilot. Payments will cover the cost of delivering land management actions, and time spent actively contributing to pilot learning.

Further details are still to be confirmed and these will be made available before we seek expressions of interest for participation in the National Pilot.

## Timings

We will begin recruiting for the National Pilot from early 2021 and operate on the ground from late 2021 until late 2024. Timings are expected to be:

- **Sustainable Farming Incentive pilot:** will help us test and pilot the full Sustainable Farming Incentive offer which will be made available from 2024. In early 2021 we will

invite expressions of interest to help achieve a representative mix of participants. Following that, we will start to invite formal applications by June 2021, and the first pilots will begin in October 2021. The first phase of recruitment will focus on farmers already registered on RPA systems (mainly Basic Payment Scheme recipients); then we will recruit more widely in later phases.

- **Local Nature Recovery pilot:** will follow slightly after the Sustainable Farming Incentive pilot. Preparation and recruitment for this pilot will take place through 2021, including finding collaborative groups of farmers and land managers to take part. We expect the first Local Nature Recovery pilots to begin from mid-2022.
- Starting from 2022 we will begin piloting **Landscape Recovery**, through 10 large-scale projects. In 2021 we will publish more details on how we will choose early projects and invite nominations of potential sites. We aim to use these initial 10 projects to help us learn what works in delivering large-scale land-use change projects and to help us refine our approach for further Landscape Recovery projects in future.

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## B.4 Sustainable Farming Incentive

**We want:** As many farmers as possible to have the opportunity to deliver environmental actions and improve the sustainability of their land.

**We will:** Provide a way for farmers to take part in some of the sustainable farming component of our Environmental Land Management scheme from 2022 onwards.

The Sustainable Farming Incentive is one of the three components of our Environmental Land Management offer. Some of the core elements of this scheme will be launched in 2022 and made widely available to farmers only.

The purpose of the Sustainable Farming Incentive is to encourage the adoption of some simple actions that achieve more important environmental outcomes and provide a foundation for more advanced actions and improvements in the future.

We want to attract high uptake and achieve environmental outcomes at scale with an attractive, simple, trusted and relevant offer.

By rolling out some elements of the Sustainable Farming Incentive in 2022, we intend to provide farmers with a simpler, more straightforward way to engage in agri-environment schemes from 2022 onwards, building a foundation for the full Sustainable Farming Incentive. This will achieve important environmental and climate change outcomes, exceeding those in current EU and regulatory requirements. The Sustainable Farming Incentive should complement and be additional to activity delivered under any other schemes that will be running in parallel (e.g. Countryside Stewardship, grants and resilience support). We want to ensure it is relevant, practical and achievable for a wide range of farm types (e.g. arable farms, lowland grazing farms, upland farms, organic farms and mixed farming systems). It is essential that it is transparent and fair and builds trust and confidence ahead of the full roll-out of the three components of our Environmental Land Management offer in 2024.

The Sustainable Farming Incentive pilot will operate at the same time as the early roll out of some core elements of the scheme. Both are a key part of the development of our final offer:

- The Sustainable Farming Incentive pilot will involve a smaller group of participants with greater opportunity to co-design the full offer ahead of 2024. It will be a deeper test of the environmental potential of a much wider range of sustainable farming actions, and it will allow us to test the new approaches we want to use for the full scheme from 2024.
- The early roll out of some core elements of the Sustainable Farming Incentive will provide a valuable insight into how large numbers of participants engage with an

initial subset of the Sustainable Farming Incentive actions and provide a solid foundation for us to build on as we roll out the fuller offer. From 2022 to 2024, we will gradually expand the Sustainable Farming Incentive, drawing on pilot learnings, until it includes all the features and options of the full scheme.

## **Scheme description**

In 2022, the Sustainable Farming Incentive will pay participants for delivering some of the foundational elements of environmentally-sustainable farming. Participants will be able to choose which elements of the scheme they want to take part in. It will initially focus on soil management, integrated pest management, nutrient management and livestock management. The Sustainable Farming Incentive agreements will support farmers to make sustained, sustainable changes that really make a difference over time.

## **Eligibility**

Initially, all farmers currently in receipt of the Basic Payment Scheme will be eligible, including those already in land management schemes such as Countryside Stewardship. As we pilot, initiate and then scale up the Sustainable Farming Incentive between 2021 and 2024, we aim to expand the range of options on offer and we will explore making it available to a wider group of participants which could include smaller farms, horticulture and pig/poultry farms that do not receive Direct Payments.

## **Payments**

Farmers will be offered a payment in return for delivering some of the foundations of environmentally sustainable farming.

We will provide further information about the available options and payment rates under the Sustainable Farming Incentive in 2021, ahead of launch in 2022

## **Timings**

The Sustainable Farming Incentive will start in 2022. From 2022 to 2024, we will gradually expand the Sustainable Farming Incentive offer, until it includes all the features and options of the full scheme. We will publish details of the scheme and what it will pay for by June 2021 at the latest.

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## B.5 Tree Health Pilot

**We want:** To reduce the impact of tree pests and disease to protect our trees, woods and forests.

**We will:** Expand the scope of existing schemes to ensure that England's trees, woods and forests continue to protect and improve the economic, social and environmental benefits they deliver.

Trees provide a huge value to the economy, society and the environment, delivering valuable economic, social and environmental benefits. This includes supporting and protecting wildlife, timber production, protection from climate change risks and carbon storage.

### Scheme description

We will launch a new scheme which expands and improves on the current support available via the Countryside Stewardship Tree Health grants. Specifically, we will broaden the range of tree species, pests and disease it covers, and the land managers eligible for support. As part of the co-design process, we will be running a tree health pilot and will be working with land managers to implement 100 pilot agreements.

### Eligibility

Eligibility is still under development. We hope to benefit tree, woodland and forest managers with tree health issues, and expand eligibility beyond the current offer which may include hedgerows, roadside trees and trees in parks and parklands.

Eligible participants will be invited to apply for the pilot based on confirmation by the Forestry Commission of pest and disease issues on their land. If a land manager is eligible for a Countryside Stewardship Tree Health grant, they are unlikely to be eligible for the Tree Health Pilot.

We will provide further details about eligibility when we publish scheme guidance ahead of the pilot launch.

### Payments

The pilot will allow us to explore and refine future payment rates and structures. For eligible participants, there will be support for:

- felling and treatment of diseased trees in certain situations to slow the spread of tree pests and disease, protecting the wider treescape

- restocking following felling to ensure no net loss of trees. This will enable landscape recovery and improve the resilience of the future treescape to pests and disease and climate change by supporting appropriate restocking

These payments will be different to the Countryside Stewardship Tree Health grants and will not offer support for the same actions.

### Timings and process

The pilot will provide the opportunity to test and refine the new package of support ahead of the full launch, to ensure expected benefits are delivered. Countryside Stewardship will continue to provide the existing woodland tree health improvement and restoration grants as we pilot new elements of the future scheme.

The final grants will come into operation in 2024 when the Countryside Stewardship Woodland Capital Tree Health Restoration and Improvement grants will cease.

We will start working with potential applicants for the Tree Health pilots in 2021, coinciding with the Forestry Commission's tree health surveillance programme.

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## B.6 Farming in Protected Landscapes

**We want:** To support farmers and other land managers in Protected Landscapes, to help them diversify their income streams and lay the groundwork for our Environmental Land Management offer.

**We will:** Provide support to farmers, via National Park Authorities and Areas of Outstanding Natural Beauty bodies, to help grow businesses, create green jobs, enhance biodiversity and invest in infrastructure to attract more diverse visitors to support local economies.

Farmers in Protected Landscapes operate in challenging agricultural conditions and are often very reliant on Direct Payments. At the same time, they provide huge environmental, social and cultural benefits.

In addition to the other policies laid out here, we are proposing a specific and time limited package to help farmers adapt during the transition. This programme will support farmers and land managers so they can work with Protected Landscapes to deliver environmental outcomes, lay the groundwork for our Environmental Land Management offer, and contribute towards the delivery of recommendations in the Glover Review of National Landscapes.

### Scheme description

The scheme will deliver funding through the Protected Landscapes<sup>6</sup> bodies to support farmers, particularly upland farmers (75% of whom live and work in Protected Landscapes) to make improvements to the natural environment, cultural heritage and public access on their land.

### Eligibility

Farmers and other land managers in Protected Landscapes will have the opportunity to work with their National Park or Area of Outstanding Natural Beauty. More information will be provided on this scheme in early 2021.

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<sup>6</sup> The 44 Protected Landscapes include 10 National Parks and 34 Areas of Outstanding Natural Beauty

## Payments

The scheme will use existing delivery mechanisms through Areas of Outstanding Natural Beauty and National Park Authorities, who have existing infrastructure and relationships across Protected Landscapes.

The spend each year would support delivery against two complementary areas: (A) farm level projects and (B) wider infrastructure and projects on farmland.

Farmers and other land managers will benefit from:

(A) Farm level projects to diversify incomes, prepare for our Environmental Land Management offer and create more green jobs.

- Support for farmers for delivering environment/landscape outcomes. Examples might include peat restoration, planting woodland, hay meadow restoration, creation of heathland and scrub, moorland management, enhancement of wetlands, and dry-stone wall repairs
- Support to farmers on areas such as carbon capture, business planning, and skills development including apprenticeships

(B) Wider infrastructure investment and projects supporting farmers and rural economies

- Infrastructure, such as better access, clearer and simpler signage, dedicated cycling/electric bike access – to attract more diverse groups of visitors (to farm businesses, camping barns, etc.) as well as creating jobs (e.g. expansion of landscape rangers supporting farmers and visitors)
- Strengthened public engagement with landscapes to attract more, and more diverse, visitors, improving mental health outcomes and better disabled access; walking routes to better connect landscapes.

## Timings

We will be providing more information about the scheme in early 2021.

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## B.7 Animal health and welfare

**We want:** We need to ensure every livestock farmer is improving the health and welfare of their animals.

**We will:** Support livestock farmers in producing healthier, higher welfare animals, through financial assistance, strengthening the regulatory baseline and improving consumer transparency.

We are co-designing an Animal Health and Welfare Pathway with industry, to promote the production of healthier, higher-welfare animals at a level beyond compliance with current regulations, underpinning our high international reputation for health and welfare and future increases to regulatory standards.

### Pathway description

The Pathway maps out how livestock farmers and government will work together to deliver incremental and continual improvement. As we announced in 'Farming for the Future' in February 2020, we will:

- strengthen the regulatory baseline making sure we maintain our current high standards and continue to raise them, with details subject to consultation
- support livestock farmers financially by using public funds to deliver public goods and to pay for health and welfare enhancements that are valued by the public and not currently delivered sufficiently by the market or through existing regulatory standards
- improve consumer transparency to tap into consumer willingness to pay for welfare enhancements. This includes a government commitment to consult in 2021 on how labelling can promote high standards and high welfare across the UK market

As we start the agricultural transition, we will pilot and launch a targeted and time-limited set of publicly funded financial incentives for improving health and welfare. This support, alongside improved consumer transparency, will prepare livestock farmers for making these higher standards the basic legal minimum in the future. The Pathway will continue beyond transition.

### Health and disease support

This will initially focus on controlling or eradicating endemic diseases, amongst cattle, pigs and sheep. As well as improving the welfare of farmed animals, this will contribute to other government commitments on the responsible use of antimicrobials as set out in the UK

Anti-Microbial Resistance 5-year National Action Plan and our commitment to enhance biosecurity in the 25 Year Environment Plan.

The Pathway will deliver a better understanding of antibiotic use in sectors where data is limited, one of the actions identified in the National Action Plan. We will strengthen stewardship for responsible use of antibiotics, applying learning from case-studies on communications for change; targeted medications; and the electronic medicine books already used successfully within the pig sector.

Improving biosecurity on-farm and delivering better veterinary advice will help protect farmed animals from diseases, including zoonotic diseases which put human health at risk. This is part of the government's sustained effort to take 'One-Health' approaches across humans, animals, the environment and food.

Emerging priorities from co-design with industry are:

Cattle:

- Bovine Viral Diarrhoea is estimated to cost the industry around £35 million per annum and raises greenhouse gas emissions from cattle. We will support action to identify and eliminate the disease in herds.
- Lameness and mastitis affect the health and welfare of cattle, are a significant drag on productivity and increase the environmental impacts of farming. Help to buy equipment to improve living conditions for livestock and advice on additional actions will reduce incidence of these conditions.

Pigs:

- Improved biosecurity has been identified as necessary to control endemic pig diseases and would help prevent the introduction of exotic disease threats too.
- To eradicate endemic disease, our initial focus will be on Porcine Reproductive and Respiratory Syndrome virus, which is estimated to cost the industry around £26 million per annum. The approach would then be applied to other endemic diseases such as Swine Dysentery.

Sheep:

- There is need to address a range of endemic diseases, which are estimated to cost the sector around £85 million per annum. This is best managed through programmes tailored to each farm, developed in conjunction with a local vet.
- Priority areas for focus include internal and external parasites (and associated resistance to anthelmintics), lameness, mastitis, iceberg diseases (those that may be more widespread than they appear) and abortion.

While the approach may vary between sectors, evidence suggests vets are critical to unlocking health and welfare improvements. We are looking to financially support vet visits, so livestock farmers can create better farm health and welfare management plans through diagnostic testing, farm-specific preventative advice and increased peer learning. These plans will provide data and structural knowledge of the sectors, creating benchmarking and evaluation opportunities at national as well as local level.

## **Capital grants**

Small and large grants will be used to co-fund investment in measures that will increase animal welfare over the statutory baseline. Items to be included for grants will be subject to consultation with industry and other experts. Examples of what the grants could include are:

- cattle handling facilities, to reduce the stress of animals when handled as well as increasing productivity and the safety of livestock farmers.
- equipment to improve biosecurity (improving the health and welfare of animals) or to allow animals to show their natural behaviour.
- rubber walkways for cattle to reduce lameness.

## **Payment-by-results**

We are continuing to explore the concept of payment-by-results for animal welfare. We are currently running a research project that will assess whether there are enhancements to livestock management that could be suitable to pay livestock farmers for if improved to animal welfare can continue to be demonstrated, i.e. payment-by-results. This research will primarily focus on the economic impact of including the enhancements as part of livestock management, to determine what payment would be sufficient and whether this would deliver good value for the taxpayer. This will inform our proposed pilot in 2023, which, subject to the research outcomes, will study how this programme could be implemented in practice.

## **Eligibility**

### **Health and disease support**

All livestock farmers in England will be eligible to apply for health and disease support as part of the Pathway. In particular, we want to reach those animal keepers who have not joined previous voluntary government or industry initiatives. Our initial focus will be on pigs, cattle and sheep, but we are open to other sectors bringing forward proposals and joining the Pathway. These areas have been identified by industry as priority sectors where the most significant impact on animal welfare; greenhouse gas emissions; anti-microbial resistance; farm productivity; and international trade can be made. Where a farm

is made up of mixed species, we want to make sure that each farm has a bespoke approach to health management that works for them.

### **Capital grants**

We propose that all livestock farmers in England would be eligible to apply for small or large grants. A vet visit may be required as part of the application process. This would ensure that livestock farmers are applying for items that will provide the expected benefits on their farm.

### **Payment-by-results**

Our research will confirm whether there are appropriate and economically-viable payment-by-results interventions for in-scope species. Our current assumption is that livestock farmers in England may be eligible for the payment-by-results scheme if they keep dairy cattle, beef cattle, pigs, sheep, laying hens and meat chickens.

### **Payments**

#### **Health and disease support**

This will offer a progressive programme of improvement on every farm. We anticipate using grant aid and match funding to support a variety of different activities including:

- diagnostic testing
- better on farm health planning/management
- increased advice from vets and other advisors
- increased opportunities for peer to peer learning

#### **Capital grants**

For small and large grants, we will fund a percentage of the investment, with minimum and maximum grant values. The percentage, minimum and maximum amounts of grants will be agreed through discussion with stakeholders, experts and an assessment of value for money.

Small grants will provide one-off payments, while large grants will provide multiple payments at different stages of the investment.

#### **Payment-by-results**

Our ongoing research will inform what welfare outcomes could be targeted through a payment-by-results approach. For example, these could relate to improving animal welfare in relation to confinement (e.g. the use of cages and crates), to the provision of

enrichments, to mutilations (e.g. beak trimming and tail docking), and to animals' ability to exhibit natural behaviours.

### **Timings and process**

Health and disease support will start in late 2022 or early 2023 – specific dates for application are to be confirmed. In 2022, we plan to launch applications for both small and large capital grants with the first payments being made in 2022 and 2023 respectively.

Subject to the outcomes of our research, we will start piloting payments-by-results in 2023.

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# Annex C

## C.1 Farming Investment Fund

**We think:** There is potential for the industry to increase productivity in an environmentally sustainable way, so that they can be profitable and sustainable without relying on Direct Payments.

**We will:** Provide grants to farmers, foresters, growers and related contractors so they can invest in equipment, technology, and infrastructure that will improve their profitability and benefit the environment.

We will provide targeted support to businesses so that they can invest in equipment, technology, and infrastructure that will improve their productivity and deliver environmental and other public benefits.

We will enable and encourage investments that will improve agricultural and forestry productivity in a sustainable way, supporting a competitive and thriving agricultural sector, with a reduced impact on the environment.

### Scheme description

We will use this scheme to incentivise and support the purchase of equipment, technology and infrastructure to support environmentally sustainable farming and land management. All grants will be part funded by the farmer or land manager.

The new scheme will be based on Countryside Productivity Scheme, with a similar application process. It will include an Expression of Interest element for higher value investments and may offer grants for a higher proportion of the cost of items which deliver the greatest public goods.

It will be a competitive scheme, with higher-scoring applications more likely to be successful. Guidance will set out how applications will be appraised. The scheme will be split into two strands for lower and higher value investments, each with a different application process:

### Farming Equipment and Technology Fund

Grants will be available towards the purchase cost of a list of specified, pre-determined items. Grants can be awarded for the purchase of multiple items. We are working with farmers, foresters, growers, contractors, and representative organisations to decide the

equipment and technology that should be on the list of eligible items, based on their potential to improve farm performance.

Applications will be made by a quick and simple online application and approval process, with a clear grant value assigned to each item.

### **Farming Transformation Fund**

Grants will be available towards the cost of more substantial investments in equipment, technology or infrastructure, with the potential to transform business performance. Applications will be assessed against their ability to contribute towards scheme objectives. This could include making more efficient use of water or using nutrients and pesticides more effectively.

There will be a two-stage application process, including an initial Expressions of Interest stage, where we will assess eligibility to guide applicants in preparation of their full applications. At the second stage, applications will be scored on their fit against our selection criteria before a decision on whether to award grant funding is made.

### **What will the grants be for?**

Grants will be available towards the cost of equipment, technology, and infrastructure that will improve efficiency and productivity while also benefiting the environment. We are continuing to work with farming organisations as we develop the scheme design and decide what equipment and technology will be eligible for grants.

Eligible investments for Equipment and Technology or Transformation, or both strands, could include:

- on-farm water storage infrastructure, including reservoirs
- precision agriculture equipment (low emission and variable-rate nutrient or pesticide application)
- robotic or automated technology
- items to improve animal health
- specialist forestry equipment
- equipment and technology for storing, sorting, or processing products
- large-scale precision agriculture projects
- precision agriculture and low-emission nutrient application equipment

Detailed information about the eligible investments will be included in scheme guidance.

### **Eligibility**

The scheme will be open to businesses with addresses registered in England. Applicants will need to be registered on the Rural Payments Service to apply.

Agents will also be able to apply on behalf of applicants; however, they will need the correct permissions on the Rural Payments Service to make legal changes for that business. We will publish full eligibility details in the scheme guidance, on scheme launch.

## Payments

Grants will be available for a proportion of the costs for eligible investments, which may be higher where the item delivers the greatest environmental benefit. Grants will be paid in arrears. For Equipment and Technology grants, these will be single payments following confirmation of purchase of the listed items. For Transformation, we will pay grants through several instalments for larger investments.

## Timings

The Farming Investment Fund for Equipment and Technology and Transformation will be open for applications in autumn 2021.

For Equipment and Technology grants, once the application windows shut, there will be a short period to appraise applications and issue grant funding agreements. There will then be a set period for applicants to accept their agreement via an online acceptance portal, purchase their grant item, and claim their grant funding.

For Transformation grants, following the expression of interest and full application stages, successful applicants will be offered a grant funding agreement, and will similarly be able to purchase and claim their grant.

Application guidance will be published on scheme launch and will give further information on application deadlines and expected payment dates.

We will be running a communications campaign from early 2021 to give farmers more information about the scheme ahead of applications opening, including providing a forward-look of future funding rounds to enable business planning.

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## C.2 New Entrants Support Scheme

**We think:** New entrants seeking to develop new land-based businesses find it difficult to access the land they need.

**We will:** Provide funding to create lasting opportunities for new entrants to access land, infrastructure and support to establish successful and innovative businesses working with Council Farms and other landowners.

A vibrant farming industry needs to attract new talent with innovative approaches. We understand that new entrants can find it difficult to start a new business, in part because of strong competition for, and high prices of, land. We will work with councils with have 'county farms', other landowners and stakeholders to co-design a scheme that will create more lasting opportunities for new entrants.

We will provide funding to enable the creation of more start-up innovation hubs providing new tenant farmers and those using other business models with access to the land, infrastructure and support they need to thrive.

### Scheme description

We will develop the scheme through a co-design. Working with organisations that have the capacity and interest in providing lasting opportunities to support the next generation.

### Eligibility

We will develop the detailed eligibility criteria through a consultative co-design process, starting by the end of 2020 and concluding by September 2021, with a view to introducing a scheme from 2022.

We want to encourage applications from councils, cooperative and community land organisations, local partnerships, and private and institutional landowners who have innovative ideas and the capability to provide long-term opportunities for talented new entrants.

### Timings and process

We plan to establish the co-design process by the end of 2020 to report by the summer of 2021 and open the scheme for applications in 2022.

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## C.3 Slurry Investment Scheme

**We want:** To meet higher standards. This means farmers will need support to invest in current infrastructure. Raising standards is the only way to meet our environmental targets.

**We will:** Provide grant funding for new slurry stores and equipment to protect the environment in ways that exceed current regulatory requirements.

We plan to offer a slurry investment scheme from 2022, to help reduce pollution from farming and contribute to the 25 Year Environment Plan and net-zero commitments. This scheme will help farmers to invest in new slurry stores that exceed current regulatory requirements and are proofed against higher standards that we expect to introduce in the future.

Alongside this scheme, we plan to implement new regulations as part of the Clean Air Strategy to cover all slurry stores. We intend that by raising standards, ensuring all farmers meet the basic legal requirements and providing targeted investment support where needed, we will break the cycle of private under-investment in slurry storage and emissions reduction. All slurry stores constructed will have to meet legal construction standards and be suitably maintained to ensure they do not pose a risk of serious pollution incidents in future.

### Scheme description

The scheme will enable farmers to adopt other pollution-reducing measures such as low emissions spreaders (to be a legal requirement by 2025) and the cost of storage capacity to go beyond the current legal requirements.

We will expand the Catchment Sensitive Farming project and explore how Catchment Sensitive Farming officers – an existing, trusted and reliable source of free advice – can support this scheme

### Eligibility

The scheme will initially focus on those locations where environmental impact will be greatest and at viable businesses seeking to invest in improved slurry storage.

To future-proof public investment and support the sector in reducing its environmental impact, we would only want to invest in stores which are sufficiently large enough to contain at least 6 months' slurry production and are covered with an impermeable cover.

Successful applicants would be subject to conditions such as ensuring they had received relevant environmental advice and that they were providing data on the effectiveness of the new stores.

## Payments

We propose that funding will be given to:

- meet a significant proportion of one-off capital cost of new stores and impermeable covers
- pay for a significant proportion of other associated equipment (pumps, pipework, access, reception tanks etc)

It will not include funding future maintenance or planning costs.

## Timings

We have not yet decided on the design of the scheme but by Spring 2021 we intend to start testing with farmers, experts and industry our emerging ideas about how a slurry investment scheme could work. We plan to publish details of the scheme, as they are formed, in the second quarter of 2021 and expect to be making funding available from Autumn 2022/23. In addition, the Farming Investment Fund will include some slurry equipment from 2021.

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## C.4 Innovation, research & development

**We want:** To support innovation and help farmers and growers increase productivity and reduce the environmental impact of agriculture.

**We will:** Increase investment in innovation and research and development schemes which bring together researchers, farmers, growers and other agri-food businesses to harness science and deliver practical solutions to address challenges in agriculture.

### Scheme description

The scheme is designed to provide a step change in agricultural productivity and therefore profitability by having research and development projects led by farmers and growers.

- **Industry led research and development syndicates:** Large-scale projects over a maximum of 4 years, where syndicates of farming and agri-food organisations across the supply chain work in partnership with scientists and researchers to develop technology and innovative solutions to shared productivity challenges that affect businesses.
- **Themed collaborative research and development:** Collaborative projects over 3 to 4 years, where farming and agri-food businesses work with scientists and researchers to carry out more fundamental research and development, focused on high priority strategic challenges – such as achieving Net Zero – with the potential to transform agricultural productivity in the long term.
- **Accelerating Adoption:** Smaller agile projects up to 2 years, to test the feasibility of new technology and demonstrate new methods to the farming community. These projects will be farmer-led and focused on finding practical solutions to immediate on-farm productivity challenges.

All schemes will include mechanisms to bring together innovators, farmers, growers, foresters and researchers to work together, including through consortium-building workshops and networking events.

Farmers and growers can get involved in projects by participating in project teams, co-designing research, outputs and plans for sharing results, and by taking part in field trials to test new techniques and technologies on-farm; such as in the 'Transforming Food Production' initiative, where for example:

- farmers and growers are participating in field trials to test robotic weeders, to find effective and sustainable alternatives to herbicides for the control of grass weeds such as blackgrass; a national problem for arable farms causing lost yields of up to £300 per hectare plus additional spraying control costs

- farmers are involved in the co-design and demonstration of a project to develop technologies to enable dairy farmers to use combined data on farm to directly support day-to-day decision making. By combining data with technologies that track cow behaviour and nutrition, dairy farmers will be able to determine the consequences of management decisions on future productivity, animal health, profitability, and environmental impact for the first time.

## Eligibility

This will be an open and accessible scheme. Application guidance will be published prior to scheme launch, including a summary of application deadlines, funding criteria, funding timetable, themes etc.

We expect all projects to demonstrate their benefit not only to those farmers, growers or agri-food businesses taking part, but to the wider agricultural sector, facilitated through effective knowledge exchange.

To lead a project, an organisation must be a UK registered business, and projects should be collaborative, involving other businesses, research organisations, farmers and growers and micro/small/medium sized enterprises.

## Payments

A payment schedule will be agreed upon approval of a project. This may see the whole grant being paid at contract initiation or may be split into instalments depending on the nature and scale of the investment. Alongside public funding through this scheme we expect there to be private investment at an appropriate scale depending on the size of project and investment being sought.

## Timings

From summer 2021, we will host pre-launch workshops and events to bring together interested farmers and growers with scientists and researchers to form project teams. Further information on the timing of funding calls will also be shared at this time.

Research and development competitions are expected to open in early 2022, with communication to farmers and growers in advance, and projects are expected to begin later that year.

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## C.5 Farm resilience

**We want:** To help farmers plan for the changes we are implementing.

**We will:** Work with organisations that farmers trust to support and help those farmers most affected by the removal of Direct Payments.

We recognise that our changes will be challenging for some farmers. To support these changes and to give farmers the best chance of benefiting from our reforms we will be providing support to build resilience during the early years of the transition. This support will help farmers by providing the information and tools required to plan with confidence on the best way forward for their business.

### Scheme description

Under the initial phase we have already invested £1 million with rural-facing organisations to work with 1,700 farmers throughout England who represent different farming types, businesses and personal situations. Based on what works for farmers and their feedback we will shape future scheme design where we will expand our offer to make support available to more farmers.

This will be a time-limited scheme operating during the first three years of the transition, up until 2024. It will target support at individuals and businesses most affected by the removal of Direct Payments.

The scheme will provide funding so farmers can access support provided by organisations with relevant expertise and who are already known and trusted in the farming community. The scheme will focus on assisting farmers to make the right decisions for both themselves, their families and their business through effective discussion and planning. The scheme will signpost the wider support available to farmers, including wellbeing.

### Eligibility

Farmers who are currently in receipt of Direct Payments will be the target group for this scheme. All farmers will be interested in the transition and future changes, but we will focus this scheme towards those whose incomes are likely to be most adversely affected by the removal of Direct Payments. There will be different levels of support and we are currently looking at how many farmers we would like to benefit.

## Payments

Farmers will be offered expert advice and support provided by groups, charities or businesses with relevant skills and expertise. We are continuing to learn from the initial phase of the fund, and those lessons will inform what we offer during the next phase.

## Timings

The initial phase ends in March 2021 and we plan to offer support at a larger scale from that point onwards. We will provide further details about the support that will be on offer in 2021.

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## C.6 Skills, training and benchmarking

**We want:** More farmers to have the tools they need to assess how to improve their business and what training options are available to them.

**We will:** Bring forward industry recommendations to improve the training offer to farmers and increase the use of business benchmarking.

### Skills and training

We want to enable an innovative, productive and competitive agricultural sector, which invests in its people and skills. We know that the skills provision for agriculture is mixed, with different institutions offering training to varying levels of quality. Those working in the industry or looking to enter it, report that career routes and the role of training is unclear.

To address this, the government will contribute towards the establishment of a new professional body, the Institute for Agriculture and Horticulture. This will be the home of professional development and training for the agriculture and horticulture industry in England.

The proposal is being led by industry, was a principal recommendation of the Food and Drink Sector Council's Agricultural Productivity Working Group and has broad support from across the farming sector.

The Institute will establish a professional framework, providing farmers with a recognised pathway for training across agricultural and horticultural careers. We expect the Institute to amplify new Apprenticeship Standards and the 'T Level' qualification in Agriculture, Land Management and Production which will be offered from 2023. It will enable the industry to drive forward greater uptake of skills and training and promote the sector as a progressive, professional and attractive career choice.

### Key Performance Indicators Benchmarking

Improved utilisation of data is central to improving productivity, and managing profitability, throughout the sector. Whilst the use of benchmarking is accepted across many other industries as essential to driving performance and efficiency, uptake in agriculture is low. Only 26% of top performing farms and 13% of bottom performing farms undertake any benchmarking activities.

The Agricultural Productivity Working Group recommended that a system of standardised, entry-level Key Performance Indicators is developed for each sector. This will allow

farmers to understand their comparative performance across a range of metrics, evaluate strengths and weaknesses in their business and identify opportunities to improve.

The Agriculture and Horticulture Development Board has developed a new Optimal Dairy Systems programme which provides a foundational benchmarking system to help dairy farmers improve their businesses through lower costs and increased efficiency. The system is designed as a user-friendly entry point, concentrating on a small number of critical indicators, which provides links to appropriate advice and signposts to more sophisticated benchmarking tools.

We will work with the Agriculture and Horticulture Development Board and the Agricultural Productivity Working Groups Key Performance Indicators sub-group to create a consistent set of indicators for farm businesses to capture key financial performance and sustainability outcomes. This will include the development of specific indicators for other agricultural sectors, support for the wider roll out of the optimal systems programme and exploring how it can be co-ordinated with aspects of other future farming support schemes

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## Annex D

### Direct payments

Payments will be reduced in a progressive way, so that in the first few years of the agricultural transition less is taken from the first £30,000 of payments. This is designed to help farmers manage the transition as smoothly as possible.

**Table 2: Direct Payment reductions**

Payment Band	2021 scheme year	2022 scheme year	2023 scheme year	2024 scheme year
<=£30,000	5%	20%	35%	50%
£30,000 to £50,000	10%	25%	40%	55%
£50,000 to £150,000	20%	35%	50%	65%
>£150,000	25%	40%	55%	70%
Cumulative total amount to be redirected into delivering other schemes for farmers	£169 - 179m	c£427 - 447m	c£703 - 733m	c£970 - 1,010m

For example, for the 2021 scheme year, for a claim worth £40,000, a 5% reduction would be applied to the first £30,000 (a reduction of £1,500) and a 10% reduction would be applied to the next £10,000 (a reduction of £1,000). So, the revised payment would be reduced by £2,500 to £37,500. We intend to continue to make gradual reductions in Direct Payments across the rest of the transition until the last year of Direct Payments in 2027.

We will consult formally on our plans to delink Direct Payments from land for all farmers and a proposal to offer lump sum exit payments to farmers who may wish to leave the sector. Our current intention is to delink payments in 2024 and offer the optional lump sum exit scheme payments in 2022. Our consultation will seek views on the detail of how delinked payments will work.

Once introduced, delinked payments will entirely replace the Basic Payment Scheme for all farmers. There will be no need to have land to receive the delinked payment. We believe this will provide further simplification as we phase out the remaining Direct Payments.

While we are still running the Basic Payment Scheme (before we delink payments), progressive reductions will be applied to each farmer's total Basic Payment Scheme payment value, including any young farmer payment. As now, this Basic Payment Scheme payment value will be calculated each year and will depend on the Basic Payment Scheme entitlements and eligible area being claimed on.

After we have delinked payments, we will calculate the payment value based on a reference period and will then apply progressive reductions. Table 3 shows the payment value, after progressive reductions, for 2021 to 2024 scheme years for a range of claims.

**Table 3: Direct Payment reduction examples – value of payments remaining after reductions in each year**

Payment value before progressive reductions	2021 scheme year	2022 scheme year	2023 scheme year	2024 scheme year
£5,000	£4,750	£4,000	£3,250	£2,500
£10,000	£9,500	£8,000	£6,500	£5,000
£20,000	£19,000	£16,000	£13,000	£10,000
£40,000	£37,500	£31,500	£25,500	£19,500
£80,000	£70,500	£58,500	£46,500	£34,500
£160,000	£134,000	£110,000	£86,000	£62,000

All funding released from reductions in Direct Payments will be re-invested into delivering new schemes in this Parliament. This will allow us to meet our manifesto commitment of maintaining the same level of funding throughout this Parliament.

# Annex E

## Regulatory reform

**We want:** A reformed regulatory regime for agriculture by the end of the agricultural transition – one that is fair, clear and effective.

**We will:** Start by improving the way we manage within the existing rules and processes. From 2024, we will start to introduce a new approach, built in partnership with the sector, while ensuring a robust and credible deterrent for serious or serial harm.

We want to start talking to more people about:

- **Building trust and confidence in the regulatory system:** We will make improvements where we can to the existing regulatory system; alongside building something better for the future. We will start with improving the approach to cross-compliance (where some of our domestic legal requirements sit as minimum standards that recipients of Direct Payment must meet). These are outlined earlier in this document and include greater use of warning letters rather than defaulting to penalties.
- **Providing better advice and support:** We will start delivering on this in the early part of transition, as well as more and better-targeted inspection and enforcement resource to tackle areas of significant harm, rather than administrative or immaterial noncompliance. We want a regulatory system that is seen as fair: helpful and supportive for the majority who are compliant, saving appropriate sanctions for where they are needed to address stubborn, significant or serial breaches. We will be taking action on this in 2021/22, with a significant increase in the number of risk-based Environment Agency inspections – drawing on the lessons learned from a successful catchment-scale pilot on the River Axe.
- **Working in partnership with industry:** We want to start by examining the regulatory requirements and framework, to ensure they are effective in preventing harm.
- **Creating a coherent way of working:** We know there are many Defra bodies (including the Rural Payments Agency, Environment Agency, Animal and Plant Health Agency, Forestry Commission and Natural England) with a remit over farming, presiding over many regulatory requirements, and the landscape at the moment can create complexity and fragmentation. Dame Glenys Stacey suggested a single regulator to address this problem. We will work towards better strategic and

operational join up between regulatory organisations from the early transition, for instance through better data sharing and communication. The consideration of the best approaches for regulation longer term, as well as who is best placed to deliver them, will form part of our engagement with the sector.

We will provide further information through our planned engagement from late 2020.

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