



House of Commons

Environment, Food and Rural  
Affairs Committee

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# **Environmental Land Management and the agricultural transition**

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**Second Report of Session 2021–22**





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# Environmental Land Management and the agricultural transition

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**Second Report of Session 2021–22**

*Report, together with formal minutes relating  
to the report*

*Ordered by the House of Commons  
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## The Environment, Food and Rural Affairs Committee

The Environment, Food and Rural Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Environment, Food and Rural Affairs and associated public bodies.

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## Summary

For decades, the European Union provided the framework for agricultural policy in England. With EU exit, the Department for Environment, Food and Rural Affairs (Defra) has been developing a new approach for England, following the UK's departure from the EU Common Agricultural Policy (CAP). From 2021 to 2027, Defra intends to phase out direct payments, which have been the primary element of farm support, across a seven-year "agricultural transition". At the same time, the Department will pilot and roll out components of a new environmental scheme, collectively referred to as Environmental Land Management (ELM).

Defra's plan is the biggest change to English agricultural policy in decades, and is also central to delivering on the Government's environmental ambitions. The transition plan involves multiple schemes and initiatives, but our inquiry focussed on the removal of direct payments, and the roll-out of the new ELM schemes. Our key findings are:

- **Considerable uncertainty remains about how the 7-year agricultural transition will affect English farming, and there is a risk that farmers will resort to less environmentally sustainable methods to make up for lost income, leave the sector, or go out of business entirely.** Defra should publish an impact assessment detailing how the transition from direct payments to ELM will impact the viability of farm businesses, broken down by sector and by region.
- **Defra has put insufficient emphasis and care into managing the process of transition itself, risking a haphazard process leading to unintended consequences.** Ministers' absolute determination to press ahead with the timescale for phasing out direct payments and introducing ELM, even when confronted with significant disruption across Government and the economy, suggests an unwillingness to adapt to unforeseen circumstances. Defra must do more to give us confidence that it will take account of changing circumstances as the agricultural transition proceeds.
- **Delays in communication about the new policy have already impacted farmers' ability to plan for the significant changes ahead. It is essential that every farmer and land manager is made aware of what is coming. If a clear strategy to communicate Defra's plans to the full range of farmers and land managers is not in place, the agricultural transition risks falling at the first hurdle.** The Department should develop a clear engagement strategy and, to build confidence and foster buy-in, this should include demonstrating how the views of farmers and land managers have fed into the design of ELM.
- **Defra is already in the process of delivering its multi-billion pound ELM programme without having published any measurable objectives.** We understand that the process of developing objectives is underway, but we are already nearly a year into the agricultural transition and Defra has not explained in detail how it will show that the money being taken away from

farm payments is being spent effectively. This should happen as soon as possible, and definitely before the Sustainable Farming Incentive opens for applications in 2022.

- **Those farming the uplands, and tenanted and common land, will face particular challenges during the agricultural transition, and Defra must not squander the considerable potential of this land to deliver public goods.** A substantial proportion of farmed land in England is tenanted, and common land accounts for a significant percentage of land delivering important public goods such as biodiversity and public access. Upland livestock farmers, meanwhile, have often been among the most dependent on direct payments, but there is evidence that existing agri-environment schemes have reduced income stability for upland livestock farmers in less favoured areas.
- **It is important that the Sustainable Farming Incentive does not repeat the failures of previous agri-environment schemes that achieved high uptake but failed to drive significant environmental delivery.** A degree of simplicity may be necessary in order to achieve high uptake, and we acknowledge that an approach based on specific actions and parcels of land will work for many farmers. However, Defra should not miss opportunities to also support a more ambitious whole-farm approach to delivering public goods. Alongside the parcel-based actions within the SFI, Defra should set out a plan to support public goods delivery at the whole-farm level.
- **We share the concerns of many that the existing approach to calculating payments based on “income foregone” will be unattractive to farmers and ineffective for the environment.** Payments for environmental actions need to fairly and fully represent the management costs associated with delivering them. Defra should explain how it will set payment rates for ELM to ensure that participating in these schemes is an attractive option for farmers as BPS is withdrawn.
- **Peer-to-peer learning should form an important element of the agricultural transition.** Seeing others turn to more sustainable practices, and succeed, will play a valuable role in giving many farmers the confidence to engage with ELM. Defra should fund and facilitate knowledge exchange and peer-to-peer learning among farmers to drive scheme uptake and effective delivery of public goods.

# Introduction

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## Our inquiry

1. Having left the European Union, the UK no longer participates in the EU Common Agricultural Policy (CAP). Under the CAP, farmers received payments via several schemes. The largest was the Basic Payment Scheme (BPS), which made direct payments to farms based on the area of land under agricultural use. Other schemes include agri-environment payments, which paid land managers for actions such as improving biodiversity. The House of Commons Library noted in 2020 that UK farmers received around £3.5 billion in annual support under CAP.<sup>1</sup>
2. The Department for Environment, Food and Rural Affairs (Defra) has been developing a new agricultural policy for England to succeed the CAP schemes. From 2021 to 2027, Defra intends to phase out CAP-style direct payments to farmers across a seven-year “agricultural transition”. At the same time, the Department will pilot and roll out components of a new environmental scheme, collectively referred to as Environmental Land Management (ELM). ELM will pay farmers and other land managers for delivering a range of “public goods” (that is, goods that can be enjoyed by all and are thought not to be adequately incentivised by the market, such as clean air and clean water).
3. The Environment, Food and Rural Affairs Committee, and its predecessor in the previous Parliament, have scrutinised the development of this policy at various stages. In the 2017–19 Parliament, the Committee conducted inquiries into the Government’s initial consultation *Health and Harmony: the future for food, farming and the environment in a Green Brexit* (report published June 2018), and on *Scrutiny of the Agriculture Bill* (report published November 2018).<sup>2</sup> It also held a one-off session with Defra officials in July 2019, following the publication of the National Audit Office report *Early review of the new farming programme*.<sup>3</sup> In the current Parliament, we also held a one-off session with Defra in June 2020.<sup>4</sup>
4. We launched this inquiry on 4 December 2020, following the publication of the Government’s *Agricultural Transition Plan* and just before the start of the transition period itself in 2021. Our terms of reference were:
  - i) Is the Government’s timeframe for the national pilot, full roll-out of ELM and phasing out direct payments by 2027 feasible?
  - ii) Will the Sustainable Farming Incentive be a viable support measure for farmers before the full roll-out of ELM? Is further support required during the transition period?

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1 The Agriculture Act, Briefing Paper, [CBP 8702](#), House of Commons Library, 3 December 2020

2 Environment, Food and Rural Affairs Committee, Sixth Report of Session 2017–19, [The future for food, farming and the environment](#), HC 870; Environment, Food and Rural Affairs Committee, Tenth Report of Session 2017–19, [Scrutiny of the Agriculture Bill](#), HC 1591

3 Environment, Food and Rural Affairs Committee, [New Farming Programme](#); National Audit Office, [Early Review of the New Farming Programme](#), June 2019 HC 2221

4 Environment, Food and Rural Affairs Committee, Oral evidence: Environmental Land Management Schemes taken on 16 June 2020, [HC 445](#)

- iii) How effectively has Defra engaged with land managers and other stakeholders on the design of ELM, including on the transitional arrangements?
- iv) How can ELM be made an attractive business choice for farmers and land managers while effectively delivering its policy goals?
- v) How can the Government ensure that ELM agreements achieve their intended environmental outcomes, reduce bureaucratic burdens on farmers and deliver value for money?
- vi) What lessons should be learned from the successes and failures of previous schemes paying for environmental outcomes?

5. We received over 50 written submissions to our inquiry. We subsequently held four oral evidence sessions, consisting of eight panels in total, between May and July 2021. We also held a private roundtable discussion with stakeholders in January 2021, and received a private briefing from Defra officials in March 2021. We are grateful to all who submitted evidence and otherwise supported our inquiry.

6. During our inquiry, Defra continued to publish new information about the agricultural transition. This included further details about the roll-out of the Sustainable Farming Incentive (SFI) component of ELM planned for 2022, and a consultation on the lump sum scheme and delinked payments aspects of the transition plan. This has therefore been an evolving area of policy, and some elements of the evidence we received need to be understood in the context of subsequent developments.

# 1 The agricultural transition

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## A new approach to agricultural support

7. Under the EU Common Agricultural Policy, farmers in England received direct payments under the Basic Payment Scheme (BPS), primarily based on the area of land they farmed.<sup>5</sup> There have also been a range of “agri-environment” measures, which in England include Countryside Stewardship and legacy Environmental Stewardship agreements. These pay land managers for environmental management such as woodland creation and supporting biodiversity.<sup>6</sup> The Secretary of State has said that BPS payments “artificially inflate land rents and stand in the way of new entrants getting access to land”, and that the CAP has also failed to deliver for the environment.<sup>7</sup>

8. Following the 2016 European Union membership referendum, Defra set out its new approach to agricultural support in the September 2018 policy statement *Health and harmony: the future for food, farming and the environment*. Its intention is to phase out direct payments and introduce a system that pays land managers “public money for public goods”.<sup>8</sup> Public goods are goods that no one can be stopped from using and where one person’s use does not affect another’s. Defra has said that “if left to the market alone, the benefits to society provided by these goods would be underprovided or not provided at all, due to a lack of profit incentive”.<sup>9</sup> Reflecting this policy, the Agriculture Act 2020 sets out a list of “purposes” for which future financial assistance may be given, including protecting the environment, supporting public access to the countryside and improving the welfare of livestock.<sup>10</sup> The Act also sets out an “agricultural transition period” for England, to run for a period of seven years starting with 2021.<sup>11</sup>

9. During the agricultural transition period, the Government intends that CAP-style direct payments will be progressively reduced, from 2024 “delinked” from the requirement to farm land (instead being based on a historic reference period), and eventually phased out completely, with no direct payments being made after 2027.<sup>12</sup> At the same time, Defra will pilot and then roll out a new Environmental Land Management scheme (ELM), which will pay farmers and other land managers for delivering a range of environmental outcomes. Defra is also developing a range of other schemes, including grants for productivity, and support for organisations to help new entrants into farming. On 30 November 2020, Defra published *The Path to Sustainable Farming: An Agricultural Transition Plan 2021 to*

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5 European Commission, [Basic Payments Explained](#) (accessed 8 October 2021)

6 UK Government, [Countryside Stewardship](#), (accessed 8 October 2021); UK Government, [Environmental Stewardship](#), (accessed 8 October 2021)

7 Department for Environment, Food and Rural Affairs, [The Path to Sustainable Farming: An Agricultural Transition Plan 2021 to 2024](#), November 2020

8 Department for Environment, Food and Rural Affairs, [Health and Harmony: the future for food, farming and the environment in a Green Brexit - policy statement](#), Updated 14 September 2018

9 Department for Environment, Food and Rural Affairs, [The Future Farming and Environment Evidence Compendium September 2019 - Update](#), p 103 (accessed 8 October 2021)

10 Agriculture Act 2020, [section 1](#)

11 The Agriculture Act, Briefing Paper, [CBP 8702](#), House of Commons Library, 3 December 2020

12 Department for Environment, Food and Rural Affairs, [Agricultural Transition Plan: June 2021 progress update](#), published 30 June 2021; Department for Environment, Food and Rural Affairs, Future Farming Blog, [Call for views: leaving the sector and delinked payments](#), 19 May 2021, (accessed 8 October 2021)

2024 (“the ATP”), providing an update on the transition and the various new schemes.<sup>13</sup> Further information has since been published on the Defra Future Farming blog, and a more comprehensive progress update on the transition plan was published in June 2021.<sup>14</sup>

10. ELM is the centrepiece of the new policy.<sup>15</sup> It will pay farmers and other land managers for delivering a range of environmental outcomes. The scheme is intended to consist of three components, with each involving both a pilot phase and a wider roll-out:

- Sustainable Farming Incentive (SFI), which will reward farmers for producing public goods on their land, such as through reducing water pollution and improving biodiversity. SFI is currently being piloted, and a wider roll-out of some elements of SFI will take place in 2022.
- Local Nature Recovery, which will pay for locally-specific actions to support local nature recovery and deliver local environmental priorities, such as restoring habitats and natural flood management. The scheme will begin piloting in 2022, and launch in 2024.
- Landscape Recovery, which will support landscape and ecosystem recovery through long-term projects such as peatland restoration and large-scale woodland creation. The scheme will begin piloting around 10 projects in 2022, and launch in 2024.<sup>16</sup>

11. Witnesses to our inquiry said that Defra’s plans represent the most significant change to English agriculture in decades. The University of Sheffield’s Dr Ruth Little called the agricultural transition “the biggest change in 70 years”.<sup>17</sup> The Central Association of Agricultural Valuers’ Jeremy Moody referred to a “sense of a dam breaking”, noting also “the pent-up change that has not happened in the last 30 years with area payments”.<sup>18</sup> The UK’s departure from the Common Agricultural Policy has come at a time of profound economic, social and environmental change. Ian Davis of the Farming Forum Grassroots Group (a group of farmers who interact using the online Farming Forum website) summarised the picture facing the farming sector:

The UK farming industry is trying to adapt to the biggest change in the paradigm it works within that it has ever seen, with the international trade deals we have already talked about, pressure for dietary change, increasing animal rights activism, climate mitigation pressures and abuses, in some cases, of supply chain power. We have lab-grown foods. We have talk about vertical farming and now we have a global pandemic on top.<sup>19</sup>

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13 Department for Environment, Food and Rural Affairs, [The Path to Sustainable Farming: An Agricultural Transition Plan 2021 to 2024](#), November 2020

14 Department for Environment, Food and Rural Affairs, [Future Farming Blog](#), Department for Environment, Food and Rural Affairs, [Agricultural Transition Plan: June 2021 progress update](#), published 30 June 2021

15 Environment Secretary, George Eustice, [speech at NFU Conference 2021](#), published 23 February 2021

16 Defra Future Farming blog, [How farming is changing](#), 23 June 2021

17 [Q127](#)

18 [Q109](#)

19 [Q86](#)

We considered the huge disruption to the UK food system caused by the impacts of the pandemic in our July 2020 report on *Covid-19 and food supply*, and our follow-up report in April 2021.<sup>20</sup>

12. Several submissions argued that the scale of the challenge posed by climate change necessitates a substantial transformation in agriculture. The Food, Farming and Countryside Commission said that “a profound ecological transformation of food and farming is urgently needed as we enter a period of rapid ecological, climate and social change”.<sup>21</sup> Wildlife and Countryside Link told us that farmers and land managers are “uniquely placed” to deliver on many of the Government’s environmental objectives, and that an “urgent and well-managed transition toward sustainable farming” is needed.<sup>22</sup>

13. At the same time, we have heard that the new policy should ensure a sustainable English farming sector. The NFU’s Tom Bradshaw said it is “absolutely crucial that [the new policy] really does work for food production as well as the environment”. He also stressed that “it should not be that food production is dealt with through productivity grants, and that the environment is dealt with through [ELM]”, but instead that “the two need to be joined up and delivered in unison”.<sup>23</sup> We also heard about the importance of the farming sector to the wider rural community. The TFA’s George Dunn stressed the need to treat farming policy in terms of a “system”, with “people providing services to their rural areas in other ways, not just through food production but through school governors, local councillors, volunteers and various other things”.<sup>24</sup>

**14. The scale of environmental, social and economic change facing English farming cannot be understated. This includes the global challenge of climate change and the need to operate in new trading conditions, but it also includes the Government’s decision to fundamentally change the basis of agricultural policy. The agricultural transition must work for farmers and make a significant contribution to achieving the Government’s environmental objectives.**

## Impact of removing direct payments

15. The precise impact which Defra’s decision to remove direct payments will have on farmers is still not clear. The NFU’s Tom Bradshaw said that, if the agricultural transition does not deliver profitable farming, then “we will end up with a lot of members potentially going out of business”.<sup>25</sup> George Dunn told us that the TFA was having “tearful conversations” with members saying that “they cannot really see a future for their farm”.<sup>26</sup> Defra’s “Future Farming and Environment Evidence Compendium” includes some analysis of the profitability of farms without direct payments, but this has not been

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20 Environment, Food and Rural Affairs Committee, First Report of Session 2019–21, [COVID-19 and food supply](#), HC 263; Environment, Food and Rural Affairs Committee, Seventh Report of Session 2019–21, [Covid-19 and the issues of security in food supply](#), HC 1156

21 Food, Farming and Countryside Commission ([ELM0042](#))

22 Wildlife and Countryside Link ([ELM0026](#))

23 [Q17](#)

24 [Q21](#); [Q26](#)

25 [Q18](#)

26 [Q3](#)

updated since September 2019.<sup>27</sup> In September 2021, the National Audit Office cited data from Defra showing that 38% of farmers would have made a loss over the period 2017–18 to 2019–20 without direct payments, had everything else remained the same.<sup>28</sup>

16. Several witnesses called for an updated assessment of the impacts of removing direct payments. Tom Bradshaw told us that “there should be some very detailed modelling on the financial consequences of removing BPS, and the same impact from what happens when you replace it with the environmental land management scheme”. He said that the “complicated” nature of the task is “not an excuse not to do it, because going into this blind is very foolish”.<sup>29</sup> The CLA also called for “a more detailed and up to date impact assessment” to ensure that the transition “does not have unintended consequences, and result in viable operations going out of business”.<sup>30</sup>

17. Evidence suggests that some farming sectors will be particularly vulnerable as direct payments are withdrawn. Commenting on the risks to farm viability, researchers from the Universities of Sheffield and Reading suggested that “upland farmers [...] potentially have the most to lose in the transition as they have typically been the most reliant on direct payments”.<sup>31</sup> In September 2021, the NAO summarised data on the reliance on direct payments of various sectors:

Based on our analysis of data from the Farm Business Survey for the period 2017–18 to 2019–20, the average net profit for farms in England would have been 53% lower without direct payments. For mixed farms, the average would have been 80% lower, while grazing livestock farms would on average have made a loss [...].<sup>32</sup>

The Farming Forum Grassroots Group’s Ian Davis told us that “we are potentially looking at a collapse” in the upland and less favoured area livestock sector, if ELM does not deliver an effective replacement for current funding.<sup>33</sup> The Foundation for Common Land said that it had “repeatedly requested” that Defra model the impact of the transition proposals on farm business types “especially vulnerable to the withdrawal of BPS”, including lowland and upland livestock farms, and that the Foundation has “no confidence” that Defra had forecasted the impacts on businesses and environmental assets.<sup>34</sup>

18. If the transition is poorly implemented, there are also fears that it could lead to worse environmental outcomes. Wildlife and Countryside Link argued that “land managers could turn to other forms of income which are environmentally harmful”, highlighting in January that “some have been considering ploughing up their grasslands in 2021 to be eligible for arable payments”, while others had been increasing stocking densities.<sup>35</sup> The University of Sheffield’s Dr Ruth Little outlined four scenarios that could arise as a result of the transition:

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27 Department for Environment, Food and Rural Affairs, [The Future Farming and Environment Evidence Compendium September 2019 - Update](#), (accessed 8 October 2021)

28 National Audit Office, [The Environmental Land Management Scheme](#), September 2021 HC 664

29 [Q18](#)

30 CLA ([ELM0030](#))

31 Dr Ruth Little et al. ([ELM0044](#))

32 National Audit Office, [The Environmental Land Management Scheme](#), September 2021 HC 664

33 [Q66](#)

34 Foundation for Common Land ([ELM0031](#))

35 Wildlife and Countryside Link ([ELM0026](#))

- farmers intensify production to make up for the loss in direct payments, which “could be detrimental to the environment”;
- farmers take up the new ELM schemes;
- farmers exit the industry, for example through the planned lump sum scheme, which Dr Little said is “very unlikely”; or
- farmers will “just hang on”, which could also lead to “environmental disbenefits”.<sup>36</sup>

19. During the course of our inquiry, we heard some concerns about the proposed exit scheme, by which farmers will be offered the option of taking a “lump sum” to exit the industry, in lieu of the remaining direct payments they would have been entitled to receive. The Sheffield/Reading researchers referred to concerns within the industry that an exit scheme without a significant and effective “new entrant” scheme could cause land to be bought by larger farmers and landowners, thereby “reducing or eliminating the demographic of the small family farm” with possible detrimental impacts on the environment and rural communities.<sup>37</sup> Defra’s agricultural transition plan includes a New Entrant Support Scheme, which will “provide funding to create lasting opportunities for new entrants to access land, infrastructure and support to establish successful and innovative businesses”.<sup>38</sup> However, little detail has been provided about the scheme.<sup>39</sup> The transition plan also notes that “skills provision for agriculture is mixed, with different institutions offering training to varying levels of quality”.<sup>40</sup> We have already called attention to the importance of skills if Defra is to realise its ambition for a productive agriculture sector which supports the achievement of environmental goals. In April 2021, our Chair wrote to the Secretary of State for Education calling for a national strategy for land-based skills and education, with clear responsibilities identified at a national level for assessing need, and ensuring local provision, backed up by adequate funding.<sup>41</sup>

20. We asked the Secretary of State for Environment, Food and Rural Affairs about modelling of the impact of the agricultural transition on farm viability. He told us that the Department was “doing some further work revisiting” the 2018 analysis, in order to better understand the impact of direct payment removal on land rents, which he said “might” adjust downwards.<sup>42</sup> The September 2021 NAO report noted that Defra is undertaking further analysis which will “incorporate forecasts of the impact of other factors in addition to the phasing out of direct payments”, including potential rent reductions, profits from new agri-environment and productivity schemes, and the least productive farm businesses leaving the sector.<sup>43</sup> The Secretary of State also told us that “we know who will lose what amount of money, but what we cannot tell at the moment is the extent to which they will choose to get back into the other schemes”.<sup>44</sup>

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36 [Q133](#)

37 Dr Ruth Little et al. ([ELM0053](#))

38 Department for Environment, Food and Rural Affairs, [The Path to Sustainable Farming: An Agricultural Transition Plan 2021 to 2024](#), November 2020, p. 54

39 Department for Environment, Food and Rural Affairs, [Farming is Changing](#), updated June 2021, p. 25

40 Department for Environment, Food and Rural Affairs, [The Path to Sustainable Farming: An Agricultural Transition Plan 2021 to 2024](#), November 2020

41 [Letter from the Chair to the Secretary of State for Education re: The provision of land-based education](#), 29 April 2021

42 [Q211](#)

43 National Audit Office, [The Environmental Land Management Scheme](#), September 2021 HC 664

44 [Q222](#)

21. **Considerable uncertainty remains about how the 7-year agricultural transition will affect English farming. As direct payments are withdrawn, there is a risk that farmers will resort to less environmentally sustainable methods to make up for lost income, leave the sector or go out of business entirely. We are concerned that Defra has not published a comprehensive assessment of the impacts of its policy, and the Secretary of State himself acknowledged to us that we know who will lose money but not how many will take up the new schemes. The Secretary of State also told us that land rents “might” adjust downwards, but has not adequately demonstrated this. The Department needs to make a detailed and comprehensive assessment of the economic and environmental impacts of removing direct payments. *Defra should publish an impact assessment, covering plausible scenarios, detailing how the transition from direct payments to ELM will impact the viability of farm businesses, broken down by sector and by region. Defra should also detail the anticipated environmental impacts if the delivery and uptake of ELM falls short of its ambitions, for instance, if farmers decide that it makes more financial sense to intensify production than to enter ELM.***

## Managing the transition

22. Defra announced its plans for a 2021–27 agricultural transition in 2018.<sup>45</sup> Some witnesses pointed out that a seven-year transition still requires farmers to make rapid changes. The University of Sheffield’s Dr Ruth Little noted that “seven years may seem like a long transition period” but, for agricultural timescales, it is “pretty much the blink of an eye”.<sup>46</sup> Ian Davis told us that while it was “reasonable” to ask arable farmers to “change their approach significantly from one year to another”, it could take “many more years” for many livestock units. He said that changing the genetics of a herd “can be the work of 10 years”.<sup>47</sup>

23. We also heard evidence that some farmers may have not yet started to plan seriously for the transition. Dr Little noted that the covid-19 pandemic would lead people to “focus on the here and now, and start to discount thinking about the future”, which she called “a bit of a perfect storm” with the rollout of ELM.<sup>48</sup> The NFU’s Tom Bradshaw also noted that favourable economic conditions for agriculture were “creating this false wave of optimism, and it means that the focus is not necessarily on what is coming next”.<sup>49</sup> CAAV’s Jeremy Moody suggested that, in recent years, two “camps” have existed in farming; those who have been “looking at their businesses already, getting on with it”, and a larger group who are “broadly getting on with the immediate practicalities of life”. Mr Moody told us in May that “I do not detect much movement, even yet, between those two camps”.<sup>50</sup>

24. A seven-year transition has remained Defra’s policy despite delays to the passage of the Agriculture Act, and the other pressures that have faced both Government and the industry with the covid-19 pandemic and EU exit. The NFU said that the time for

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45 Department for Environment, Food and Rural Affairs, [Health and Harmony: the future for food, farming and the environment in a Green Brexit - policy statement](#), Updated 14 September 2018

46 [Q127](#)

47 [Q65](#)

48 [Q127](#)

49 [Q8](#)

50 [Q113](#)

preparation had become “increasingly condensed”, and that it had “made representations to delay the start of transition to enable robust scheme design and make sure adequate business guidance is available”.<sup>51</sup> Tom Bradshaw put it like this in May:

We have seen the timeline concertinaed, but we have not seen any flexibility at all in the delivery plan. That means that there is now huge pressure on the delivery of the new policy, which, at the moment, is still very piecemeal.<sup>52</sup>

25. Other witnesses likewise told us there is now limited time to ensure a successful transition. The National Sheep Association’s Phil Stocker said that “the delays that we have seen over the last two years in the development of ELMS and the uncertainty of the payments and schemes going forward” have meant that “as the months go by, the timescale gets tighter and tighter”.<sup>53</sup> The TFA’s George Dunn also said that “we are now extremely tight for time”, although he did tell us that “if we can get our skates on, there is still time to pull this out of the ashes”.<sup>54</sup> Sustain said that the seven-year transition is “workable” if Defra can “meet milestones and address issues in a timely manner”, but noted that “there has not been any commitment to flexibility if deadlines are not met”.<sup>55</sup> The National Audit Office reported in 2021 that Defra officials had asked Ministers for a six-month delay to the start of the pilot, and for a smaller initial reduction in direct payments, in April 2020. Ministers asked the Department to stick to existing plans, although Defra did establish a revised approach to the pilot including deferring the start of Local Nature Recovery and Landscape Recovery.<sup>56</sup>

26. As well as holding to its original timescale, Defra has also added elements to its plans. The National Audit Office noted that Ministers decided in late 2020 to introduce an early roll-out of the Sustainable Farming Incentive component (referred to in the sector as “SFI 2022”), in part to give farmers an earlier opportunity to replace some of the income lost through the removal of direct payments. The NAO said that “this late introduction has required significant changes to Defra’s existing plans for ELM”, and also that Defra has “contingency plans in place to delay the launch of SFI 2022 to later in 2022, if necessary”.<sup>57</sup> The CLA’s Mark Bridgeman also said that the SFI had come “out of nowhere, in order to deal with these dramatic cuts”, and the Government was now “having to fast-track this new scheme in very quick time”.<sup>58</sup> The NAO recommended that Defra “closely monitor the feasibility of delivering SFI 2022 on time, based on a better understanding of how long individual tasks will take and what indicators should trigger a delay to the launch of SFI 2022”.<sup>59</sup>

27. Concerns about Defra’s management of this transition plan are not new. In 2019, the National Audit Office stated that it had “serious concerns that the Programme will move too quickly and that sensible precautions [...] will not be in place”, if Defra failed to

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51 National Farmers Union ([ELM0012](#))

52 [Q4](#)

53 [Q35](#)

54 [Q2](#)

55 Sustain: the alliance for better food and farming ([ELM0025](#))

56 National Audit Office, [The Environmental Land Management Scheme](#), September 2021 HC 664, p 9

57 National Audit Office, [The Environmental Land Management Scheme](#), September 2021 HC 664, p 9

58 [Q5](#)

59 National Audit Office, [The Environmental Land Management Scheme](#), September 2021 HC 664, p 13

“take decisions at the right time so that activities can be carried out in the right sequence and with adequate preparation”.<sup>60</sup> Dr Janet Dwyer, of the Countryside and Community Research Institute, told us in June 2021 that the transition risked being “haphazard”:

[...] it will not be as carefully managed as it could and should have been if emphasis had been placed more strongly on planning the process of transition in the very early stages.

I accept that covid has made things more difficult, but still I worry that we will have a transition, but it will be a very haphazard transition, which will lead to unpredicted outcomes that will not be in line with Government’s main objectives in seeking to achieve this momentous shift.<sup>61</sup>

28. Several submissions called for more support, whether financial or otherwise, during this transition process. The National Beef Association’s Neil Shand suggested that the Government could put in place “some sort of parachute” by which BPS payments are guaranteed if the SFI is “not ready and does not deliver enough”, so that “livestock producers are not left out of pocket”.<sup>62</sup> The Foundation for Common Land suggested “setting payments to maintain a floor in profits for the transition period”, which could be made conditional on participation in skills development.<sup>63</sup> The Game and Wildlife Conservation Trust said that “any delays in the full roll-out of ELM needs to be reflected in a delay in the continued phasing out of direct payments as one is to replace the other”.<sup>64</sup> Natural England said that the timetable will “require many farmers and other land managers to make big changes to their businesses in a relatively short space of time”, and that “further thought is needed as to how Government can best provide or enable the business planning, advice and skills training that may be needed”.<sup>65</sup> We make recommendations about advice in Chapter 4 of this Report.

29. We asked the Secretary of State about the decision to reject calls for a delay to the agricultural transition. He told us that “if you make a big decision, as we did as a country to leave the European Union, you should make use of the freedoms that gives you”, and that it would be “slightly odd” to leave the EU and then delay changes to policy:

We were clear that we would start the transition in this year. We decided to stick to that plan. If you want an evolution rather than a revolution, that is what you should do: make incremental changes year to year.<sup>66</sup>

When pressed on whether future economic circumstances could lead him to reconsider, the Secretary of State said “clearly, that is not part of our plan”, but noted that the Agriculture Act 2020 does make provision for the agricultural transition to be extended.<sup>67</sup> However, he also indicated that adverse economic circumstances, in which there may be calls for an extension to direct payments, may be better addressed through other interventions (such

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60 National Audit Office, [Early review of the new farming programme](#), June 2019 HC 2221, p 10

61 [Q128](#)

62 [Q49](#)

63 Foundation for Common Land ([ELM0031](#))

64 Game & Wildlife Conservation Trust ([ELM0034](#))

65 Natural England ([ELM0027](#))

66 [Q216](#)

67 [Q218](#)

as a bespoke scheme for the affected sector).<sup>68</sup> Defra’s Future Farming and Countryside Programme Director, Janet Hughes, assured us that “if we need to adjust our plan at any stage to make sure it is going to work, we will”.<sup>69</sup>

**30. Defra has put insufficient emphasis and care into managing the process of transition itself, and there is a risk that this will be a haphazard process leading to unintended consequences. Ministers’ absolute determination to press ahead with the timescale for phasing out direct payments and introducing ELM, even when confronted with significant disruption across Government and the economy, also suggests an unwillingness to adapt to unforeseen circumstances. We would expect that this contingency planning should already be taking place, and we note that Defra officials have previously asked for a delay to the pilot due to delivery concerns. After years of delay and uncertainty, time is now short, and Defra must do more to give us confidence that it will take account of changing circumstances as the agricultural transition proceeds. *Defra should commit to regularly reviewing its plan for the agricultural transition and to developing contingency plans, including plans to provide for greater flexibility in the phasing out of direct payments. These reviews should draw on a comprehensive assessment of the impact of Defra’s policies. Defra should implement its contingency plans if it becomes necessary to ensure continued farm viability.***

## Engagement and communication

31. The need for effective engagement is central to the agricultural transition in two ways. First, Defra has attempted to “co-design” the new ELM schemes with stakeholders, including farmers and environmental groups, through a series of trials and workshops. Second, Defra will need to effectively communicate its plans to tens of thousands of land managers to ensure that the sector is prepared.

32. Defra’s Programme Director, Janet Hughes, describes co-design as “a design approach that actively involves users and stakeholders from the beginning of a project, right through to roll-out”, in which “we collaborate with everyone who has an interest to solve real problems with them”.<sup>70</sup> Co-design has been implemented through tests and trials with farmers and organisations, as well as various stakeholder workshops. Defra’s ELM team has described the tests and trials as “trying out individual parts of the future scheme”, unlike the pilots which will “test a working version of the scheme from start to finish”.<sup>71</sup> Defra’s plan to co-design ELM was ambitious; the University of Sheffield’s Dr Ruth Little told us that she could “think of very few examples of where a policy of this complexity and scale has ever been co-designed in the past”, and that “we are pretty much in virgin territory here”. The benefits of co-design, Dr Little told us, should be “more workable and more implementable policy”, and bringing “trust and confidence back into the process”. Among the risks are “that you marginalise people, that they lose even more trust and confidence”.<sup>72</sup>

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68 [Q218](#)

69 [Q217](#)

70 Defra Future of Farming Blog, [What we mean by “co-design”](#), 11 December 2020 (accessed 8 October 2021)

71 Defra Future of Farming Blog, [The new sustainable farming incentive](#), 23 February 2021 (accessed 8 October 2021)

72 [Q141](#)

33. The evidence we have received suggests that Defra has made an effort to engage with farmers on the transition plan, but the outputs and effectiveness of this engagement are less clear, even to members of Defra’s ELM Engagement Group. Phil Stocker said in May that “I do not think any of us on the Engagement Group would really know to what extent [the tests and trials] are feeding into the design of SFI or the other ELM strands”.<sup>73</sup> The University of Sheffield’s Dr Ruth Little told us in June that co-design had been “more successful than a lot of people have said”, but that those who have inputted “do not know what has happened to their evidence”, meaning that farmers who had a positive experience with tests and trials “are going to get and are getting disillusioned”.<sup>74</sup> The Sheffield/Reading researchers also stress that many farmers may be harder to reach, due to factors including poor rural internet connectivity, lack of trust in Defra, excessive scheme bureaucracy, or a lack of time.<sup>75</sup>

34. As well as engagement on the design of the new schemes, plans for ELM and the agricultural transition also need to be communicated to those who will be affected. According to Defra-funded research led by the National Federation of Young Farmers’ Clubs and Rose Regeneration, conducted between June and August 2020, 62% of surveyed young people in rural areas had not heard about ELM.<sup>76</sup> Dr Janet Dwyer told us in June 2021 that “the one thing that I really worry about is communication”. Dr Dwyer observed “a reluctance to direct messages through a very structured approach”, noting that “there seems to be an approach of diffusing things through existing communication channels [...] which differ enormously depending on which part of the farming population you are talking about”.<sup>77</sup> She told us that “giving messaging largely in written statements” means that ordinary farm businesses need to interpret what Defra means, whereas engagement through an “advisory network” would be “a much more effective way of trying to make some of these decisions meaningful for people at the local level”.<sup>78</sup> Dr Ruth Little also said that “as a messenger, Defra does not have a lot of traction within the agricultural industry”, and recommended that Defra instead work through “intermediary organisations” so that “the information gets through in a way that is understandable to those farmers and farming organisations”.<sup>79</sup> The Nature Friendly Farming Network’s Martin Lines put it concisely: “Defra will never reach every farmer, but Defra’s information must reach the farmers”.<sup>80</sup>

35. Several submissions have raised the slowness of Defra’s communications about ELM, and the impact this will have on farmers’ ability to plan. The National Farmers Union said that the publication of the agricultural transition plan in November 2020, one month prior to the transition beginning, was “unacceptably short notice for businesses”.<sup>81</sup> Tom Bradshaw said that disruption due to covid-19 and no-deal planning had “blown the policy development off course”, and that “the reason for the lack of clarity or communication is that there has not been anything to communicate”.<sup>82</sup> In May, he noted that cropping plans were being made for the 2022 harvest, but information about eligibility for the Sustainable

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73 [Q44](#)

74 [Qq141–142](#)

75 Dr Ruth Little et al. ([ELM0044](#))

76 National Federation of Young Farmers’ Clubs, [Covid-19 and a post-Brexit rural future](#) (accessed 15 October 2021)

77 [Q129](#)

78 [Q143](#)

79 [Q143](#)

80 [Q74](#)

81 National Farmers Union ([ELM0012](#))

82 [Q9](#)

Farming Incentive scheme in 2022 had not yet been communicated.<sup>83</sup> The Farming Forum Grassroots Group’s Ian Davis also told us in May that he felt “as though there has been an absolute absence of useful information for business planning reaching the farmer for a long period of time”, although he did note that Defra’s engagement had “stepped up incredibly over the last six to nine months”.<sup>84</sup>

36. The issues around communication are not limited to ELM itself. When he appeared on 11 May, Tom Bradshaw also noted that consultations around delinked payments and the lump sum exit scheme were now six weeks overdue (the consultation was eventually launched on 19 May).<sup>85</sup> Mark Bridgeman illustrated the challenge facing farmers:

To make decisions, you need to be able to see the full picture. Is it right to intensify my farm, take on more land and lift my stocking numbers, or would I be better going in the opposite direction? Should I consider exiting? Until you see the picture, it is difficult to make that decision, and what is worrying is that people could be making the wrong decisions because they do not have the details.<sup>86</sup>

37. The National Audit Office report in September 2021 found that “Defra has not yet regained the trust it needs from farmers to be confident of a high level of participation”. The NAO noted that delays in releasing critical information had further undermined confidence, and that to date, Defra has carried out only “limited monitoring of its communications activities and has not set any measures to evaluate their success”.<sup>87</sup>

38. Some of the evidence we received also suggests that the proliferation of schemes within the transition plan risks leading to confusion. The NFU said that “very careful management of information and critically how all these schemes fit together [...] is going to be a key challenge”, with confusion “already becoming evident amongst farmers”.<sup>88</sup> Mark Bridgeman told us that the CLA had “counted 18 different schemes, if you add the existing schemes to the new schemes”, a picture which is “very complicated” to farmers on the ground.<sup>89</sup>

**39. The Committee commends Defra’s commitment to co-designing the agricultural transition, and appreciates the challenges involved. However, there appears to be a disconnect in the co-design process between listening to stakeholders and being seen to act on this feedback. The benefits of effective co-design should include helping to build trust and confidence between farmers and the Government, so this failure of communication represents a significant missed opportunity.**

**40. We are pleased that Defra’s engagement has improved over the last year, but delays in communication due to delays in policy development have already impacted farmers’ ability to plan for the significant changes ahead. Defra itself cannot directly reach every farmer, but it is essential that every farmer and land manager is made aware of what is coming. The scale and complexity of Defra’s policy means that a clear**

83 [Q4](#)

84 [Q74](#)

85 [Q4](#); Department for Environment, Food and Rural Affairs, [Direct Payments to farmers: Lump sum exit scheme and delinked payments in England](#), (accessed 8 October 2021)

86 [Q5](#)

87 National Audit Office, [The Environmental Land Management Scheme](#), September 2021 HC 664, p 11

88 National Farmers Union ([ELM0012](#))

89 [Q5](#)

**strategy to communicate its plans to the full range of farmers and land managers, with measurable objectives, is needed. If this is not in place, the agricultural transition risks falling at the first hurdle. *Defra should develop a clear engagement strategy with plans in place to measure its success in reaching the full range of farmers and land managers, and consider how advisory networks and intermediary organisations may be more effectively used to communicate key information about the agricultural transition. In order to build confidence and foster buy-in, this engagement strategy should also involve a concerted effort to demonstrate how the views of farmers and land managers have fed into the design of ELM.***

## 2 Environmental Land Management

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### Objectives for ELM

41. ELM and the agricultural transition are central to the Government’s environmental ambitions. In 2018, the Government published its 25 Year Environment Plan, with the aim that “ours can become the first generation to leave that environment in a better state than we found it”.<sup>90</sup> Goals highlighted include thriving plants and wildlife, clean air, clean and plentiful water, and mitigating and adapting to climate change.<sup>91</sup> The Government has also legislated for a net zero greenhouse gas emissions by 2050 target.<sup>92</sup> Appearing before us in July 2021, the Secretary of State was clear that the Government’s environmental ambitions are “very dependent” on ELM:<sup>93</sup>

We will only hit the targets we set and move the dial on things like water quality and species abundance if we get significant changes right across the farmed landscape. The environment[al] land management schemes that we are rolling out now are going to be pretty crucial to delivering that. They are the main tool in the box, particularly when it comes to water quality and biodiversity.<sup>94</sup>

The Secretary of State said that “almost universal uptake” would be needed to achieve biodiversity and water objectives, and that Defra is aiming for “over 70% of farmers to be properly engaged” in ELM.<sup>95</sup> He told us that this level of participation would be “necessary to hit the targets that we have under the Environment Bill”.<sup>96</sup> ELM will also be the main mechanism for publicly-funded woodland creation after 2024.<sup>97</sup>

42. Nevertheless, some stakeholders have expressed concern at the ability of the transition plan to deliver on these ambitions. The Wildlife Trusts’ James Adler told us in June 2021, that “the package of measures within the programme does not address the scale of environmental need”, despite being “the flagship delivery mechanism for Government policy”.<sup>98</sup> Alice Groom from the Royal Society for the Protection of Birds (RSPB) said she was concerned that “Defra is at risk of losing all discipline and not having a clear direction and vision that it is working to”.<sup>99</sup> She said that the Department “really cannot answer” questions on “governance, the role of advice, targeting budget control or the relationship between the different schemes”, and called for Defra to “clearly set out, in sufficient detail, what sustainable farming and land management looks like and the metrics that it will measure that by”.<sup>100</sup>

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90 HM Government, *A Green Future: Our 25 Year Plan to Improve the Environment*, January 2018, p 5

91 HM Government, *A Green Future: Our 25 Year Plan to Improve the Environment*, January 2018, p 10

92 Net Zero in the UK, Briefing Paper, [CBP 8590](#), House of Commons Library, 16 December 2019

93 [Q237](#)

94 [Q237](#)

95 [Q252](#)

96 [Q252](#)

97 Department for Environment, Food and Rural Affairs, *The England Trees Action Plan 2021–2024*, May 2021, p 10

98 [Q160](#)

99 [Q153](#)

100 [Qq153–54](#)

43. In its September 2021 report, the National Audit Office found that Defra has not yet established objectives to support its high-level vision for ELM. The (unpublished) outline business case for ELM sets out 24 SMART (specific, measurable, achievable, realistic and time-limited) objectives related to the government’s 25-Year Environment Plan and net zero carbon ambition, but these are described as provisional and indicative.<sup>101</sup> Defra told the NAO that, before firm objectives for ELM can be set, the Government needs to make key decisions about its approach to meeting UK carbon budget targets (to be set out in the Net Zero Strategy) and other legally binding targets to be set out under the Environment Bill (by October 2022).<sup>102</sup> Our witnesses gave an indication of what objectives for the contribution of ELM could look like. The RSPB told us it would like to see “targets like recovering common and rare farmland wildlife, X amount of carbon stored and X hectares of habitat created”.<sup>103</sup> The National Trust’s Professor Rosie Hails likewise said “we need some specific objectives that focus on biodiversity and carbon”.<sup>104</sup>

44. Some stakeholders have also called for greater linkages between ELM and other environmental policies. The Wildlife Trusts said that “ELM objectives should be tied to meeting the environmental ambitions of the government, which should be legally bound through the Environment Bill”.<sup>105</sup> The National Trust has also argued elsewhere that to “truly deliver the environmental recovery the UK needs, the scheme will need to be integrated with other mechanisms proposed under the 25-Year Environment Plan such as Local Nature Recovery Strategies and biodiversity net gain”.<sup>106</sup> The RSPB told us that it was “increasingly concerned that ELM is not being nested within the broader environmental agenda”, a view coming “partly from decisions [Defra] has made to date, and partly due to having that lack of information around the contribution” that will be made by ELM.<sup>107</sup>

45. Natural England is the Government’s statutory adviser on the natural environment, and told us that a “clear lesson” from monitoring and evaluation of current and previous schemes was that “they are most effective when they are designed and targeted to achieve specific environmental objectives and when they are supported with good quality advice”.<sup>108</sup> When he appeared before us to discuss ELM in July 2021, Natural England (NE) Chair Tony Juniper told us that NE would “hopefully” play a role in evaluation, “so that we can calibrate and change the schemes over time, if needed”.<sup>109</sup> He also said that he “hope[s]” NE will help bring together various environmental initiatives, including ELM, through the Local Nature Recovery Strategies provided for in the Environment Bill.<sup>110</sup>

**46. We are concerned that Defra is already in the process of delivering its multi-billion pound ELM programme, representing the biggest change to farming policy in decades and a central delivery mechanism for the Government’s environmental goals, without having published any measurable objectives. We understand that the process of developing objectives is underway, but we are already nearly a year into the agricultural transition and Defra has not explained in detail how it will show that the money being**

101 National Audit Office, [The Environmental Land Management Scheme](#), September 2021 HC 664, p 7

102 National Audit Office, [The Environmental Land Management Scheme](#), September 2021 HC 664, p 25

103 [Q163](#)

104 [Q161](#)

105 The Wildlife Trusts ([ELM0024](#))

106 National Trust, [‘What we think about the Environmental Land Management system’](#) (accessed 14 October 2021)

107 [Q160](#)

108 Natural England ([ELM0027](#))

109 [Q186](#)

110 [Q186](#)

taken away from farm payments is being spent effectively. This should happen as soon as possible, and definitely before the Sustainable Farming Incentive opens for applications in 2022, representing the start of the ELM schemes proper. *Before the SFI application window opens in 2022, Defra should publish precise, measurable objectives for ELM and explain how it intends to track progress towards achieving these goals. Defra should provide detail on how these objectives will contribute to the Government's wider environmental ambitions, and will be integrated with other policies and delivery mechanisms including Local Nature Recovery Strategies. It should also set out the role Natural England will play in evaluating schemes and ensuring that they are joined up with other policies.*

## The budget for ELM

47. The Government has committed to “maintain current average levels of investment in farming of £2.4 billion per year in England over the life of this Parliament”.<sup>111</sup> The November 2020 agricultural transition plan provided a breakdown of Defra’s spending plans until 2024/25 across three areas: ongoing Direct Payments, environmental and animal welfare outcomes, and improving farm prosperity.<sup>112</sup> The trend is toward a falling proportion of spend on Direct Payments (as these are phased out), and an increasing proportion of spend on environmental and animal welfare outcomes, with the latter accounting for over half of the planned spend in 2024/25.<sup>113</sup>

48. Defra’s June 2021 update provided some information on how the funding for environmental schemes would be broken down. Over the current Parliament, Defra “envisages” spending 30% of the funding released from Direct Payments on “farm-level actions such as the Sustainable Farming Incentive”.<sup>114</sup> The remainder will be spent on “locally tailored initiatives” and “landscape-scale interventions”.<sup>115</sup> Defra has also said that, by 2028, it “expects” spending to be “evenly split across farm-level, locally tailored, and landscape-scale investment”,<sup>116</sup> echoing comments made by George Eustice at the Groundswell Agricultural Show in June.<sup>117</sup> The Department did say, however, that it would “keep these allocations under review as we progress through the transition and learn more about the demand for and outcomes and value for money from each scheme”.<sup>118</sup> When we asked the Secretary of State about the split, he explained that “indicatively, roughly a three-way split is probably where we would end up, but it is not a hard and fast rule”.<sup>119</sup>

111 Department for Environment, Food and Rural Affairs, [‘Policy paper, Agricultural Transition Plan: June 2021 progress update’](#) (accessed 14 October 2021)

112 Department for Environment, Food and Rural Affairs, [The Path to Sustainable Farming: An Agricultural Transition Plan 2021 to 2024](#), November 2020, p 26

113 Department for Environment, Food and Rural Affairs, [The Path to Sustainable Farming: An Agricultural Transition Plan 2021 to 2024](#), November 2020, p 26

114 Department for Environment, Food and Rural Affairs, [‘Policy paper, Agricultural Transition Plan: June 2021 progress update’](#), (accessed 14 October 2021); The “current Parliament” is in the context of the next general election currently being scheduled for May 2024; see [The Fixed-term Parliaments Act](#), Insight, House of Commons Library, 14 January 2020

115 Department for Environment, Food and Rural Affairs, [‘Policy paper, Agricultural Transition Plan: June 2021 progress update’](#), (accessed 14 October 2021)

116 Department for Environment, Food and Rural Affairs, [‘Policy paper, Agricultural Transition Plan: June 2021 progress update’](#), (accessed 14 October 2021)

117 Department for Environment, Food and Rural Affairs, [Press Release: Environment Secretary shares further information on funding split for future farming schemes](#), 25 June 2021

118 Department for Environment, Food and Rural Affairs, [‘Policy paper, Agricultural Transition Plan: June 2021 progress update’](#), (accessed 14 October 2021)

119 [Q257](#)

Henry Dimbleby's National Food Strategy, an independent report published on 15 July 2021, also noted that "it is not yet clear exactly how the money will be distributed, which makes it hard for farmers to plan ahead".<sup>120</sup> The RSPB said that "providing as much clarity as possible on the long-term funding framework" will help farmers and land managers see it as a "viable business proposition", with many being concerned that the budget will "wane" after the current Parliament.<sup>121</sup>

49. There are also concerns that the overall funding available for ELM will be insufficient to achieve the Government's environmental aims. The Wildlife Trusts' James Adler told us that "overall, the agriculture budget is not enough to address the climate and nature crisis that we presently find in land management".<sup>122</sup> The National Food Strategy recommended that the current agriculture budget should be maintained in real terms until at least 2029.<sup>123</sup> However, it also said that maintaining the current budget would not include money to improve people's enjoyment of the natural environment, and it should therefore be regarded as an "absolute minimum".<sup>124</sup> Natural England's Director of Greener Farming and Fisheries, Rob Cooke, told us he is confident that ELM is "capable" of delivering the Government's environmental ambitions, but "whether it delivers on them or not is a budgetary question", with "wide-scale uptake" by farmers and land managers being required.<sup>125</sup> The NAO's September 2021 report stated that the estimated cost of delivering Defra's provisional SMART objectives in full is significantly above the annual budget for ELM, and that the Department therefore recognises that the objectives will need to be prioritised.<sup>126</sup>

**50. The Government has been clear that the success of ELM is critical to meeting its environmental ambitions, but this will require huge uptake of the scheme and the funding to ensure that. If farmers are to enter into multi-year agreements to deliver public goods, they deserve a clear guarantee that the Government is committed to the sustained, long-term funding of this transition. Defra should commit, as a minimum, to retaining the current agriculture budget until at least 2029 as recommended in the independent National Food Strategy.**

## Potential gaps in ELM

51. Several submissions to our inquiry raised concerns about the ability of certain groups of farmers to engage with ELM, including tenants, and those farming common land ("commoners") and uplands. The TFA's George Dunn said that "there is a tendency to have a lack of understanding of the complexity of the way in which UK agriculture operates", telling us that within Government there is "a general assumption that everybody is an owner-occupier and they are therefore able to internalise the decisions that they need to make".<sup>127</sup> Henry Dimbleby's National Food Strategy also called for the ELM schemes to

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120 National Food Strategy, *The Plan*, July 2021, p 155

121 Royal Society for the Protection of Birds (RSPB) ([ELM0010](#))

122 [Q160](#)

123 National Food Strategy, *The Plan*, July 2021, p 226

124 National Food Strategy, *The Plan*, July 2021, p 228

125 [Q190](#)

126 National Audit Office, [The Environmental Land Management Scheme](#), September 2021 HC 664, p 25

127 [Q19](#)

be “carefully proofed” to ensure that they do not “inadvertently disadvantage tenants or commoners”.<sup>128</sup> The following sections summarise some of the evidence we received on these concerns.

### **Upland farmers**

52. Evidence from the Sheffield/Reading researchers said that upland livestock farmers “potentially have the most to lose in the transition from BPS to [the Sustainable Farming Incentive] as they have typically been more reliant on direct payments”.<sup>129</sup> The researchers said that a recent study had shown agri-environment schemes to “reduce the stability of farm income” for upland livestock farmers in less favoured areas (LFAs), possibly due to agri-environment options being “less available or less suited to these challenging environments”.<sup>130</sup> The submission also noted that “many harder to reach farmers could be those in, or on the periphery of, the uplands due to the geography of some of these areas contributing to social isolation”.<sup>131</sup> The Tenant Farmers Association also noted that “by their very nature, hill and upland areas are physically, socially and economically remote”.<sup>132</sup>

53. The Sheffield/Reading researchers urged that “more needs to be done” to ensure that upland livestock farms are “not marginalised by ELM”.<sup>133</sup> The TFA also argued that “farming in hill areas provides the most reliable and coherent basis upon which the management of our most beautiful and yet fragile landscapes and ecology will be achieved”, and that the knowledge contained within the farming community in such areas “must be the primary source for new policy development”.<sup>134</sup>

### **Tenant farmers**

54. In 2017, around a third of agricultural land in England was rented. According to Defra figures, 13% of farm holdings were wholly tenanted, while 34% had mixed tenure arrangements.<sup>135</sup> There are two main types of agricultural tenancy:

- Tenancies regulated under the Agricultural Holdings Act 1986 (“AHA tenancies” or “1986 Act tenancies”), which applies to tenancies entered into before 1 September 1995. These tenancies are subject to regulated rent, have lifetime security of tenure and most granted before 12 July 1984 also carry statutory succession rights for up to two generations of eligible close relatives. In 2017 approximately 20,500 farms in England had an AHA tenancy.<sup>136</sup>

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128 National Food Strategy, *The Plan*, July 2021, p 156

129 Dr Ruth Little et al. (ELM0044)

130 The University of Sheffield (ELM0044). “Less Favoured Areas” is a category for disadvantaged and severely disadvantaged areas, used in Defra statistics.

131 Dr Ruth Little et al. (ELM0044)

132 Dr Ruth Little et al. (ELM0044)

133 Dr Ruth Little et al. (ELM0044)

134 Tenant Farmers Association (ELM0049)

135 Department for Environment, Food and Rural Affairs, *Agricultural tenancy consultation and call for evidence on mortgage restrictions and repossession protections for agricultural land in England*, April 2019, p 5. These data are accompanied by a footnote explaining that it is not possible to classify all farms.

136 Department for Environment, Food and Rural Affairs, *Agricultural tenancy consultation and call for evidence on mortgage restrictions and repossession protections for agricultural land in England*, April 2019, p 5

- Farm Business Tenancies (FBTs) regulated under the Agricultural Tenancies Act 1995, which applies to most tenancies beginning on or after 1 September 1995. These provide a flexible framework, can vary in length and do not have statutory succession rights. In 2017 approximately 18,200 farms in England had an FBT.<sup>137</sup>

55. The TFA's George Dunn explained that tenant farmers have had access to the Basic Payment Scheme by virtue of their occupation and farming of the holding.<sup>138</sup> With the focus of public support moving toward environmental schemes, Mr Dunn noted that “what we find in tenancy agreements, at various levels of complexity, are restrictions on tenants either accessing in schemes or being involved in activities that are not necessarily agricultural by their nature”.<sup>139</sup> With reference to the Sustainable Farming Incentive, the TFA urged that consideration be given to how tenants, “who might be restricted by the terms of their tenancy agreements, can gain access to schemes if their landlords refuse consent on an unreasonable basis”.<sup>140</sup> The CLA's Mark Bridgeman said that if land was “changing fundamentally”, such as through tree planting or rewetting, then “understandably, as a landlord, we would want to have an input into that decision”.<sup>141</sup>

56. George Dunn also told us that many tenants in FBT agreements will not be able to participate in long-term Local Nature Recovery and Landscape Recovery schemes “by their nature”, with the average term length of an FBT being “just over three years” and “some 90% of all new tenancies” being let for five years or less.<sup>142</sup> He also expressed concern that landlords will take land out of tenancy in order to access these schemes, leading to “a retraction of land in the FBT sector”.<sup>143</sup> Defra's Programme Director for the Future Farming and Countryside Programme, Janet Hughes, told us that work was being done to ensure that Defra's plans work for tenant farmers, including “looking at much shorter scheme-agreement lengths and the ability to adjust what is in your scheme from year to year”.<sup>144</sup> George Dunn told us that, while the Agriculture Act 2020 provides “some answers” for AHA tenancies, there was still “nothing for FBT tenants”.<sup>145</sup>

## Common land

57. Common land is land that is privately owned but where other people, known as “commoners”, have rights over the land such as grazing animals.<sup>146</sup> There are 3,900 active commoners in England.<sup>147</sup> Common land accounts for 3% of the land in England, and over one third of moorland.<sup>148</sup> 21% of the area within England's Sites of Special Scientific Interest (SSSI) is common land.<sup>149</sup> The Foundation for Common Land's Dr Julia Aglionby told us that 40% of open access land is common land, and noted tourism destinations

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137 Department for Environment, Food and Rural Affairs, *Agricultural tenancy consultation and call for evidence on mortgage restrictions and repossession protections for agricultural land in England*, April 2019, pp 5–6

138 [Q19](#)

139 [Q19](#)

140 Tenant Farmers Association ([ELM0049](#))

141 [Q20](#)

142 [Q19](#)

143 [Q19](#)

144 [Q259](#)

145 [Q19](#)

146 Foundation for Common Land, *'A guide to Common Land and Commoning'*, (accessed 14 October 2021)

147 Foundation for Common Land and Tenant Farmers Association, *Joint Statement on the Application of Environmental Land Management Schemes to Common Land, April 2021*

148 Foundation for Common Land, *'A guide to Common Land and Commoning'*, (accessed 14 October 2021)

149 Foundation for Common Land ([ELM0031](#))

such as Dartmoor, Yorkshire and the Lake District where “the proportion of our national parks that are common land is very high”.<sup>150</sup> Dr Aglionby stressed the tourism and wellbeing benefits of such “managed landscapes”, and told us that the Foundation for Common Land has “significant concerns that both the natural and cultural heritage of common land is at risk” in the agricultural transition.<sup>151</sup> She warned that “two thirds of farmers in the hills in the [Less Favoured Area] will be losing money by 2023”, before they pay themselves, and that this “huge stress” on commons is likely to lead to a decline in environmental benefits.<sup>152</sup> We make recommendations about the payment rates for the Sustainable Farming Incentive in Chapter 3 of this Report.

58. We heard evidence that there are various challenges in securing an environmental scheme agreement for common land. The Federation of Cumbria Commoners highlighted that “commons agreements are multi-party agreement between commoners and owners, [whose] interests in the management of the common may not align”.<sup>153</sup> The Foundation for Common Land said that “again we see commons being put into the too difficult box and schemes not commons proofed to account for multiple legal interests”.<sup>154</sup> Dr Aglionby explained that it takes “six to 18 months, or sometimes even longer” to negotiate a scheme on common land, and said that “we are just running out of time”.<sup>155</sup> She noted in May that no SFI standards for commons or uplands had yet been announced, and that even when these do emerge, “the issue is that negotiations will start at that point”.<sup>156</sup> Dr Aglionby called for independent facilitators and administrators of schemes on common land, as “at the moment, we are finding that the pressure we put on commons associations is too high”.<sup>157</sup>

**59. A substantial proportion of farmed land in England is tenanted, and common land accounts for a significant percentage of land delivering important public goods such as biodiversity and public access. It is important that the particular needs of tenants and commoners are properly accounted for in the scheme’s design, rather than forcing them into a scheme designed for owner-occupiers. Defra also needs to ensure that Farm Business Tenancies, which tend to be short-term, are compatible with entering into ELM agreements.**

**60. Upland livestock farmers have often been among the most dependent on direct payments, but there is also evidence that existing agri-environment schemes have reduced income stability for upland livestock farmers in less favoured areas. Those farming the uplands, and tenanted and common land, will face particular challenges during the agricultural transition, and Defra must not squander the considerable potential of this land to deliver public goods. Defra should explain in its response to this Report how the needs of those farming uplands, commons and tenanted land, who risk being disadvantaged during the transition, will be reflected in its ELM schemes. It should also explain how it will ensure the environmental and societal benefits of upland and common land pasture are recognised in ELM.**

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150 [Q52](#)

151 [Q37](#)

152 [Q38](#)

153 Federation of Cumbria Commoners ([ELM0019](#))

154 Foundation for Common Land ([ELM0031](#))

155 [Q37](#)

156 [Q37](#)

157 [Q56](#)

### Other public goods

61. Some organisations submitting evidence to our inquiry argued that ELM was not sufficiently recognising the full range of public goods. Wildlife and Countryside Link told us that there were “clear gaps emerging” in the SFI pilot, particularly on “public access enhancements, heritage and whole-systems approaches”.<sup>158</sup> (The role of whole-farm approaches in the SFI is discussed in Chapter 3 of this Report). A submission from British Canoeing, the British Mountaineering Council, the Open Spaces Society and the Ramblers said that “of the 72 tests which we understand to have been commissioned, we are only aware of three that have considered public access to the countryside”, and argued that “to date there has been insufficient engagement by Defra with organisations representing users of the countryside”.<sup>159</sup> Historic England referred to the goal of “enhanced beauty, heritage and engagement with the natural environment” under the Government’s 25 Year Environment Plan,<sup>160</sup> and told us that it considers ELM to be “the primary mechanism for the delivery of this objective for the historic environment”.<sup>161</sup> The independent National Food Strategy report said that maintaining the current agriculture budget would not include provision to improve people’s enjoyment of the natural environment, and that a “substantially greater” total budget would therefore likely be required.<sup>162</sup>

**62. It is important that ELM supports the delivery of a full range of public goods. Biodiversity and net zero are crucial objectives, but Defra should not lose sight of the invaluable role that farmers and land managers can also play in supporting public access to the countryside, and maintaining heritage assets for current and future generations. We look forward to more detail on how ELM will contribute to this. Defra should explain in its response to this Report how it will ensure that public access and heritage are recognised in the SMART objectives for ELM, and that the delivery of these public goods receives adequate funding.**

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158 Wildlife and Countryside Link ([ELM0026](#))

159 British Canoeing, British Mountaineering Council, Open Spaces Society and Ramblers ([ELM0017](#))

160 HM Government, *A Green Future: Our 25 Year Plan to Improve the Environment*, January 2018, p 10

161 Historic England ([ELM0028](#))

162 National Food Strategy, *The Plan*, July 2021, p 228

## 3 The Sustainable Farming Incentive

### Overview

63. The Sustainable Farming Incentive (SFI) is intended to be the most broadly accessible component of ELM. Defra has said that SFI is planned to be “open and accessible to all farmers” in order to “help them contribute to important environmental and animal health and welfare outcomes”, while the other ELM components will be for “farmers who want to go even further to achieve outcomes in a local area or at landscape and whole ecosystem scale”.<sup>163</sup> Participants in SFI will be paid for actions, grouped into packages as “standards”, to manage their land in an environmentally sustainable way. Within each standard, there will generally be three levels for participants to choose from (Introductory, Intermediate and Advanced). Participants will be able to choose which standards they want to apply for, and to which land parcels they want the standard to apply.<sup>164</sup>

64. The SFI is being piloted in 2021, with expressions of interest having been invited in March 2021.<sup>165</sup> Defra announced in May that over 2,000 expressions of interest had been received, and successful candidates were subsequently to be asked to “develop their applications”.<sup>166</sup> It is currently expected that pilot agreements will start from November 2021 at the earliest.<sup>167</sup> The SFI pilot will run until “late 2024”, and initially includes eight standards.<sup>168</sup> In parallel to the ongoing pilot, Defra also intends to begin rolling out “core” elements of the main SFI scheme more widely from 2022, a roll-out referred to in the sector as “SFI 2022”.<sup>169</sup> Defra intends to open applications for this scheme in spring 2022, with the first payments being made before the end of 2022. The full SFI scheme will be available from 2024, and Defra aims to “support at least 70% of eligible farms” to participate in SFI by 2028.<sup>170</sup>

65. Defra has announced that SFI 2022 will consist of three SFI standards:

- Arable and horticultural soils standard.
- Improved grassland soils standard.
- Moorland and rough grazing standard.<sup>171</sup>

163 Department for Environment, Food and Rural Affairs, [The Path to Sustainable Farming: An Agricultural Transition Plan 2021 to 2024](#), November 2020, p 32

164 Department for Environment, Food and Rural Affairs, [‘Policy paper: Sustainable Farming Incentive: Defra’s plans for piloting and launching the scheme’](#), updated 4 August 2021; Department for Environment, Food and Rural Affairs, [‘Our approach to payments for the SFI pilot’](#), 4 March 2021. The farm woodland standard within the SFI pilot only has one level; see Department for Environment, Food and Rural Affairs and Rural Payments Agency, [‘Sustainable Farming Incentive pilot’](#), (accessed 15 October 2021)

165 Department for Environment, Food and Rural Affairs, [‘Policy paper: Sustainable Farming Incentive: Defra’s plans for piloting and launching the scheme’](#), updated 4 August 2021

166 *“More than 2,000 farmers respond to Sustainable Farming Incentive pilot”*, Department for Environment, Food and Rural Affairs and Rural Payments Agency [press release](#), 18 May 2021

167 Department for Environment, Food and Rural Affairs and Rural Payments Agency, [‘Guidance: Sustainable Farming Incentive pilot’](#), (accessed 15 October 2021)

168 Department for Environment, Food and Rural Affairs, [‘Policy paper: Sustainable Farming Incentive: Defra’s plans for piloting and launching the scheme’](#), updated 4 August 2021

169 Department for Environment, Food and Rural Affairs, [‘Agricultural Transition Plan: June 2021 progress update: Policy paper’](#), 30 June 2021

170 Department for Environment, Food and Rural Affairs, [‘Agricultural Transition Plan: June 2021 progress update: Policy paper’](#), 30 June 2021

171 Department for Environment, Food and Rural Affairs, [‘Agricultural Transition Plan: June 2021 progress update: Policy paper’](#), 30 June 2021

These standards will initially be open to farmers currently eligible for BPS.<sup>172</sup> The scheme will also offer an “Annual Health and Welfare Review”, which is a yearly Defra-funded veterinary visit to promote livestock health and improve animal welfare. Initially, commercial cattle, pig and sheep keepers eligible for BPS will be eligible for the annual visit. Defra has also said that it plans to add more standards to the SFI between 2022 and 2024.<sup>173</sup>

66. The success of the SFI is regarded as critical for Defra’s overall plans. The NFU told us that “getting the SFI right for our industry is imperative as history has shown early impressions tend to stick and can hinder future engagement and uptake”.<sup>174</sup> Tom Bradshaw said in May that there was “huge, huge pressure” with regard to SFI 2022, explaining that if it “does not work or the rollout is poor, it will be very difficult for Defra to get that credibility back”.<sup>175</sup> The CLA’s Mark Bridgeman noted that “we will have lost 50% of BPS by [the end of 2024], which is why SFI really needs to work”; he told us that “the SFI will really be the only thing that all farmers can apply to, to make up for the loss of BPS”.<sup>176</sup> The Secretary of State told us that “the more we have analysed this, the more apparent it has become that the Sustainable Farming Incentive is the key to doing the heavy lifting on some of these targets that we are going to have”, in particular on water quality and biodiversity.<sup>177</sup> The Secretary of State admitted to us that he expected uptake of SFI in 2022 to “probably” be lower than the ultimate aim of 70%, acknowledging it would “possibly, in common with other schemes, [be] more like 40% or 50%”.<sup>178</sup>

## Level of ambition

67. Several submissions, received before further details of the scheme were announced, argued that ELM needs to provide a pathway to more ambitious public goods delivery. The Wildlife Trusts compared the current proposals for SFI to the previous Entry Level Stewardship scheme (ELS), saying that the “failure” of ELS to stop biodiversity decline was “an example of public money being spread too thinly, unambitious management options and insufficient levels of advice”.<sup>179</sup> The RSPB said that ELS was “a good example of a scheme designed to be simple and practical, with high levels of uptake that failed to provide value for money”.<sup>180</sup> The Nature Friendly Farming Network told us that it is “genuinely concerned that the specific actions outlined in Tier 1 [the component of ELM which has developed into the SFI] are merely doing the job of regulation so will not deliver environmental goods in the long term”.<sup>181</sup> The National Trust’s Professor Rosie Hails said she could “see the argument for designing SFI to be a broad and shallow scheme to start off with” to ensure high uptake, but stressed that “it must evolve” and that the “pathway” for this evolution should be clear.<sup>182</sup> The Nature Friendly Farming Network’s Martin Lines

172 Department for Environment, Food and Rural Affairs, [‘Agricultural Transition Plan: June 2021 progress update: Policy paper’](#), 30 June 2021

173 Department for Environment, Food and Rural Affairs, [‘Agricultural Transition Plan: June 2021 progress update: Policy paper’](#), 30 June 2021

174 National Farmers Union ([ELM0012](#))

175 [Q7](#)

176 [Q6](#)

177 [Q256](#)

178 [Q254](#)

179 Natural England ([ELM0027](#)); The Wildlife Trusts ([ELM0024](#))

180 Royal Society for the Protection of Birds (RSPB) ([ELM0010](#))

181 Nature Friendly Farming Network ([ELM0021](#))

182 [Q171](#)

likewise said that “we are not seeing the roadmap” for when standards will be “ratcheted up”.<sup>183</sup> Natural England said that “the SFI needs to be a significant step on the journey to ELM rather than an endpoint in itself”.<sup>184</sup>

68. Some witnesses even argued that Defra’s current approach to ELM could result in a decline in environmental delivery by farmers, by failing to reward existing good practice or creating a perverse incentive. Sustain’s Vicki Hird told us that some existing organic farmers are considering whether it is worth carrying on when they are “not getting any reward for the public goods that Defra has recognised for the last 20 years”, and that there is a “real risk there that we are going to lose a lot of farmers doing good things”.<sup>185</sup> The Farming Forum Grassroots Group’s Ian Davis also told us that “there is a serious risk of the very closely financially focused farms”, which have already been delivering substantial public goods for decades, deciding that the “logical” approach is to “start ripping up some of what we have done in the past to enable us to qualify for the new money”. He also highlighted “the economic situation a lot of farmers are looking at now” as contributing to this incentive.<sup>186</sup>

**69. It is important that the Sustainable Farming Incentive does not repeat the failures of previous agri-environment schemes like Entry Level Stewardship, which achieved high uptake but failed to drive significant environmental delivery. It must also not create perverse incentives or fail to reward existing good practice. The SFI should form part of a process, supporting farmers to deliver more and more for the environment over time. Defra should set out in its response to this Report how the Sustainable Farming Incentive will reward existing good practice at the same time as encouraging farmers to undertake new environmental activities. It should also explain how the SFI will support improved environmental delivery over time.**

70. Several submitters felt that the focus on individual actions, or parcels of land on the farm, was missing an opportunity to support more holistic delivery of public goods. The RSPB stated that anything less than a “step change in action, moving from a parcel based to a whole farm or holding approach” will “fail to deliver for the natural environment and those that depend on it”.<sup>187</sup> Sustain’s Vicki Hird, commenting in May on the SFI standards announced at that point, told us that a “whole farm” scheme was needed:

We need an integrated farm scheme that looks at the farm as a whole, using the whole farm system to deliver outcomes, which are public good outcomes as well as business outcomes. That feels untouched by SFI, because it is so parcelled out into different specific standards.<sup>188</sup>

She suggested that ELM could offer a “whole-farm standard that farmers could apply to, organic or not organic”.<sup>189</sup>

71. However, we also heard about the challenges associated with delivering a whole-farm scheme. The University of Sheffield’s Dr Ruth Little told us that the “initial perspective” from the co-design work was that the new scheme would take a whole-farm approach, but

183 [Q78](#)

184 Natural England ([ELM0027](#))

185 [Q75](#)

186 [Q79](#)

187 Royal Society for the Protection of Birds (RSPB) ([ELM0010](#))

188 [Q74](#)

189 [Q76](#)

that feedback indicated that this would “just be proved unworkable and people would not go into it”, and so the parcel-based model was pursued instead.<sup>190</sup> The Central Association of Agricultural Valuers also argued that most “whole farm” models “assume and impose a rigidity on land occupation when farms are frequently more complex and flexible than that assumes”.<sup>191</sup>

72. We also heard evidence that costs on farms will need to be reduced if British farmers are to survive in challenging economic conditions, and that approaches which are more environmentally sustainable can also help avoid costs. Ian Davis said that “sheep farmers are clearly going to be on the front line” of the changes arising from the UK-Australia trade agreement, and that “every farm is going to have to find a way of taking cost out” if they are to be competitive.<sup>192</sup> Martin Lines told us that “businesses are more sustainable when they work at the capacity of their landscape”, and that additional costs would be driven if “we increase livestock to try to chase the market, but then we have a bigger impact on our soils, environment and water courses”.<sup>193</sup> Vicki Hird said that “diversity and more mixed farming systems that mix arable and livestock are surely the way forward to create systems that have fewer costs”, with livestock playing a role in nutrient building and potentially weed management.<sup>194</sup>

**73. A degree of simplicity may be necessary in order to achieve high SFI uptake, and we acknowledge that an approach based on specific actions and parcels of land will work for many farmers. However, Defra should not miss opportunities to also support a more ambitious whole-farm approach to delivering public goods. This could also help farmers produce food both more sustainably and more competitively, by making the best use of their land and reducing costs. *Alongside the parcel-based actions within the SFI, Defra should set out a plan to support public goods delivery at the whole-farm level, including using the pilot phase of SFI to evaluate the merits of including a whole-farm standard in the scheme.***

## Payment rates

74. The success of the SFI will depend in part on whether its payment rates are sufficiently attractive to drive uptake. While Defra intends to pay land managers for providing public goods in ELM, there has been a question over how the level of payments will be set. Several submissions to our inquiry raised concerns about using the existing “income foregone” model used in agri-environment schemes (i.e. basing payments on the income which could otherwise have been received if the farmer was not complying with the scheme conditions, and the additional costs incurred in farming this way).<sup>195</sup>

75. The Nature Friendly Farming Network quoted one of their members who stated that “farmers are generally more interested in producing food than the environment so if the payment is only income foregone most would continue ‘farming’ the land”.<sup>196</sup> Sustain also noted the unattractiveness of income foregone payments and said that such an approach

190 [Q145](#)

191 Central Association of Agricultural Valuers (CAAV) ([ELM0051](#))

192 [Q71](#)

193 [Q83](#)

194 [Q83](#)

195 For the existing approach, see for example Strutt and Parker, ‘[Environmental Land Management Schemes \(ELMS\) – what might they look like?](#)’, 6 June 2018

196 Nature Friendly Farming Network ([ELM0021](#))

would be “inadequate to meet the public goods outcomes that are needed”.<sup>197</sup> Dr Janet Dwyer said that “a lot of the costings that have been done of previous agri-environment schemes” had not given proper consideration to the “whole business management, planning and investment side of the costs involved”.<sup>198</sup>

76. The RSPB’s Alice Groom told us that, while “income forgone plus costs incurred has quite a poor reputation”, it does provide “a mechanism that enables you to secure value for money” and meet World Trade Organisation requirements on agricultural support. However, she told us that the RSPB had asked Defra to “look at the inherent flexibilities in that system, particularly for an entry-level scheme” like the SFI, so that “you are basically fully accounting for the levels of investment that a farmer might be expected to make in, for example, priority habitat”.<sup>199</sup> Dr Little recommended “some sort of blended finance model that has almost a standard payment, even if it is just income forgone, but then has a bonus payment for, for example, derived outcomes”. She acknowledged that “it is really hard to calculate those outcomes”, but said that lessons can be drawn from existing models.<sup>200</sup>

77. We heard that a straightforward comparison between levels of income under BPS and SFI does not capture the actual impact on the business. Tom Bradshaw told us that the costs associated with delivering ELM schemes will be “far higher” than what was done to receive BPS, and therefore “the level of profit generated from that claim is going to be far lower for the business’s bottom line”. He said that, under the current Countryside Stewardship scheme, “the cost of delivery would be at least 50% of the payment that you are receiving on farm, and it could be 75% for some elements”.<sup>201</sup> Some evidence also highlighted that BPS, which is being withdrawn, had in the past underpinned participation in agri-environment schemes. Dr Ruth Little told us that BPS had “smooth[ed] out” a lot of risk associated with entering environmental schemes.<sup>202</sup>

78. The payment rates announced for the initial phase of the SFI pilot are, according to the Defra ELM team, “roughly the same as those under Countryside Stewardship”.<sup>203</sup> In June 2021, Defra subsequently published “indicative” payment rates for two of the three SFI 2022 standards, which the Secretary of State said “roughly equate to a 30% uplift in what would have been the case had the old EU methodology been applied”.<sup>204</sup> Defra intends to finalise these payment rates by November 2021.<sup>205</sup> Defra also published in June a “payment principles” document, setting out four principles that will “guide” Defra’s approach to setting payment rates for environmental schemes. The principles aim to “provide good value for money whilst achieving ambitious environmental outcomes”.

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197 Sustain: the alliance for better food and farming ([ELM0025](#))

198 [Q148](#)

199 [Q174](#)

200 [Q148](#)

201 [Q7](#)

202 [Q148](#)

203 Department for Environment, Food and Rural Affairs, ‘[Our approach to payments for the SFI pilot](#)’, 4 March 2021

204 Department for Environment, Food and Rural Affairs, ‘[Agricultural Transition Plan: June 2021 progress update: Policy paper](#)’, 30 June 2021; Department for Environment, Food and Rural Affairs, [Environment Secretary George Eustice speaks at Cereals 2021](#), 30 June 2021

205 Department for Environment, Food and Rural Affairs, ‘[Agricultural Transition Plan: June 2021 progress update: Policy paper](#)’, 30 June 2021

Defra intends that ELM schemes will meet the payment principles “as far as possible”, but it has also said that “it will not always be practical or deliverable to apply all principles to all schemes, for instance where it adds additional complexity or costs”.<sup>206</sup>

**79. We share the concerns of many that the existing approach to calculating payments based on “income foregone” will be unattractive to farmers and ineffective for the environment. Payments for environmental actions need to fairly and fully represent the management costs associated with delivering them. It is also true that agri-environment delivery has in the past been underpinned by BPS payments, and Defra must ensure that payments for new schemes are high enough to account for the loss of this money.**

**80. We acknowledge that Defra has announced higher payment rates for the SFI in 2022, but farmers still lack the full details on payment rates across ELM that would enable them to start planning now. We also welcome Defra publishing new information on its payment principles, but the Department itself has acknowledged that it will not always be possible to apply these. Defra must get the payment rates for ELM right if it is to secure the levels of uptake needed to achieve its environmental ambitions. *Defra should explain in its response to this Report how it will set payment rates for the full SFI in 2024, and the other ELM components, to ensure that participating in these schemes is an attractive option for farmers as BPS is withdrawn. This should include assessing levels of participation in SFI 2022, and whether this suggests that higher payment rates will be needed in future to ensure the necessary uptake.***

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<sup>206</sup> Department for Environment, Food and Rural Affairs, [Policy paper: Environmental land management schemes: payment principles](#), 30 June 2021

## 4 Advice and regulation

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### Advice and peer-to-peer learning

81. It is clear from the evidence to our inquiry that farmers will require guidance and support to deliver public goods and avoid falling foul of scheme regulations. Several submissions stressed the need for bespoke advice specific to the farm. Academics from the Universities of Sheffield and Reading said that “research indicates that tailored, farm-specific advice is important in achieving buy-in and the delivery of environmental benefits”, and that those specifically advising on the delivery of ELM need “sufficient agro-ecological training and an understanding of the local context”.<sup>207</sup> Wildlife and Countryside Link likewise told us that “advice and delivery bodies must have strong ecological expertise, as well as a good understanding of the needs and aspirations of local farmers and land managers, as well as the local community”, which will “enable land managers to make the right choices for their business and for their land that benefits the natural environment and people”.<sup>208</sup>

82. Defra intends that the Sustainable Farming Incentive will be “sufficiently straightforward” for farmers to make applications and implement agreements using guidance that will be available on GOV.UK and “without the need for expert advice in most cases”, although it notes that the pilot will test whether this is true in practice.<sup>209</sup> On the role of professional advisers, Defra has said:

We expect the existing wide range of private sector advisers to be well placed to be the primary providers of advice in the future schemes. During the early years of the Sustainable Farming Incentive scheme, we will help to build capacity and capability in the advice market. This will include equipping advisers with the knowledge and resources needed to advise on the new schemes.<sup>210</sup>

83. Some witnesses raised questions about a scheme that is expected to not require expert advice. Dr Janet Dwyer told us that Entry Level Stewardship had been designed as such a scheme, but that a subsequent pilot of advice had showed its potential to increase environmental benefits. She said that “we have been there before [...] we should have learned that lesson”.<sup>211</sup> Dr Ruth Little told us that, while “simplicity is brilliant”, it should not “preclude the real centrality of decent, tailored, on-farm advice and guidance”.<sup>212</sup> The TFA’s George Dunn stressed that “we need to differentiate between advice and facilitation”. He told us that, particularly for the Local Nature Recovery and Landscape Recovery components, “there needs to be an advocate for those schemes locally.”<sup>213</sup> The TFA referred to a past example of good practice:

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207 Dr Ruth Little et al. ([ELM0044](#))

208 Wildlife and Countryside Link ([ELM0026](#))

209 Department for Environment, Food and Rural Affairs, [Sustainable Farming Incentive: Defra’s plans for piloting and launching the scheme](#), 4 August 2021, (accessed 7 October 2021)

210 Department for Environment, Food and Rural Affairs, [Sustainable Farming Incentive: Defra’s plans for piloting and launching the scheme](#), 4 August 2021, (accessed 7 October 2021)

211 [Q151](#)

212 [Q145](#)

213 [Q28](#)

As with Environmentally Sensitive Areas of old, farmers encouraged to enter into lower tier provisions by enthusiastic and skilled project officers were often tempted into higher tiers by the interplay of their relationship with those project officers. Natural England would seem to be the obvious place to find such individuals.<sup>214</sup>

Given this, the TFA also argued that the proposal for SFI to be accessible without expert advice is “missing a major opportunity to engage with the farming community”.<sup>215</sup> Tony Juniper also told us that “the kind of advice and facilitation” provided by Natural England in the past “can add real value” to the Local Nature Recovery and Landscape Recovery components of ELM.<sup>216</sup>

84. In Chapter 1, we looked at the potential challenges to farm viability due to the withdrawal of direct payments from businesses which have often been reliant upon them. Advice can play a role not only in environmental delivery, but also in farmers’ business management. According to the Agriculture and Horticulture Development Board (AHDB), only 19% of farmers have a written business plan.<sup>217</sup> Defra noted in 2019 that, while farms with higher economic performance are more likely to engage in farm business management practices, even the majority of these higher performers do not engage in these practices.<sup>218</sup> The RSPB told us that “the low take-up of advice suggests a role for public intervention, such as the provision of free or subsidised advice, to enhance farm business planning and management”.<sup>219</sup> The National Sheep Association’s Phil Stocker told us “agriculture is going to go through such a lot of change over these next few years that we believe that there will be an appetite for farmers to take more business advice”.<sup>220</sup> Defra’s Future Farming Resilience Fund has been developed to provide free business support to farmers and land managers during the agricultural transition, by providing grants to a number of organisations (such as agricultural consultancies).<sup>221</sup>

85. The potential of peer-to-peer learning among farmers was emphasised by several witnesses. The Farming Forum Grassroots Group (a group of farmers who interact using the online Farming Forum website) said that reaching many farmers will be “a long term project best achieved by them seeing those who adopt better practices early benefitting from doing so”.<sup>222</sup> The Group’s Ian Davis said that “professional advisers are not going to bring the farms along that are not looking to change”, which will only happen by farmers “seeing others benefiting from the changes they make”. He also said that “a bit of money going into the facilitation” of knowledge exchange would “pay much greater dividends” than turning to “big commercial operations”.<sup>223</sup> Mr Davis told us that “where advice is necessary for the more straightforward changes”, then his preference would be that this should be “initially sought in terms of sharing knowledge between farmers”, although he noted that “some of the bigger schemes” (particularly in the Local Nature Recovery

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214 Tenant Farmers Association ([ELM0049](#))

215 Tenant Farmers Association ([ELM0049](#))

216 [Q186](#)

217 Agriculture and Horticulture Development Board, [Writing a business plan](#), (accessed 7 October 2021)

218 [Department for Environment, Food and Rural Affairs, The Future Farming and Environment Evidence Compendium](#), September 2019, p. 93

219 Royal Society for the Protection of Birds (RSPB) ([ELM0010](#))

220 [Q62](#)

221 Department for Environment, Food and Rural Affairs, [The Future Farming Resilience Fund: access free support](#), 13 July 2021, (accessed 7 October 2021)

222 Farming Forum Grassroots Group ([ELM0052](#))

223 [Qq96–97](#)

and Landscape Recovery components) will have a need for “professional ecological advice”.<sup>224</sup> The CLA’s Mark Bridgeman also said that peer-to-peer advice “can really help”.<sup>225</sup> Researchers at the Universities of Sheffield and Reading recommended that ELM provide for “farm visits, demonstration farms, and other knowledge-exchange activities”, to support the achievement of productivity and the provision of public goods.<sup>226</sup>

86. Some evidence also suggested that some farmers currently do not engage with paid-for advice because it is not felt to be relevant to their business. The Countryside and Community Research Institute referred to research regarding the existing Catchment Sensitive Farming initiative, indicating a “reluctance” to pay for advice in part because “environmentally-led advice is not deemed commercially relevant enough to warrant payment, particularly in a situation of ongoing financial constraint”. The CCRI also told us that an evaluation of the Countryside Stewardship Facilitation Fund had found that “more facilitators felt that members would be willing to pay for [one-to-one] advice than not, but on condition that such advice would have to financially benefit the farm business”, and that those facilitators who thought there would be a “low or very low” willingness to pay for advice referred mainly to “smaller farms whose financial margins were tight”.<sup>227</sup>

**87. High quality advice, which is appropriate to the individual farm and takes into account the specific local conditions, is essential if farmers are to be productive and deliver environmental benefits. We acknowledge Defra’s intention that the Sustainable Farming Incentive should not require expert advice, but this should not mean that opportunities are missed to help farmers go further through effective facilitation. In particular, peer-to-peer learning should form an important element of the agricultural transition. Seeing others turn to more sustainable practices, and succeed, will play a valuable role in giving many farmers the confidence to engage with ELM. Defra should fund and facilitate knowledge exchange and peer-to-peer learning among farmers to drive scheme uptake and effective delivery of public goods. Defra should also ensure that farmers and land managers have access to effective local facilitators, who can help them improve their delivery.**

88. Evidence suggests that some farmers currently do not pay for environmental advice because it is not deemed commercially relevant to them. As the focus of farm payments moves to public goods, it is important that these farmers are supported to access the advice that they will need to ensure they are not left behind. *Defra should explain in its response to this Report how it will ensure that a reluctance to pay for advice does not inhibit the uptake of ELM and the delivery of public goods.*

## Administration and enforcement

89. Previous agri-environment schemes such as Countryside Stewardship have generated considerable frustration among farmers due to the perceived harshness of the enforcement regime.<sup>228</sup> The Secretary of State has said that “we also want the Sustainable Farming Incentive to reflect a fundamental reset in our approach to checking compliance and monitoring agreements”, focussing on “outcomes and improvement, rather than

224 [Q95](#)

225 [Q31](#)

226 Dr Ruth Little et al. ([ELM0044](#))

227 Countryside and Community Research Institute ([ELM0046](#))

228 Farming Forum Grassroots Group ([ELM0052](#))

penalising shortcomings”.<sup>229</sup> Defra has said that it will “work in partnership with farmers and offer guidance to support improvements” for those enrolled in the SFI 2022 scheme, “instead of focusing on whether detailed measurements and prescriptions have been followed, as we have done in the past”.<sup>230</sup>

90. Evidence to our inquiry continued to advocate for a more proportionate approach to compliance. The CLA told us that the inspection and enforcement regime for the existing Stewardship schemes is “not fit for purpose because it is neither risk-based nor proportionate”. It argued that inspectors should focus on whether delivery is contributing toward the intended outcomes of agreements, rather than “work[ing] through a carefully pre-determined list of prescriptions”.<sup>231</sup> Natural England likewise acknowledged that, under Countryside Stewardship, “the approach to enforcement has been widely seen as overly punitive and harsh, and not balanced by positive recognition for good delivery”, and told us that “the ELM compliance system needs to be proportionate, risk based, fair and supportive”.<sup>232</sup> The CLA’s Mark Bridgeman said that “the Government are saying all the right things” on the inspection regime, in terms of focussing on outcomes and advice, “so let us hope that they can deliver that”.<sup>233</sup>

91. On the other hand, some environmental groups have stressed the need for assurance that ELM is delivering the intended public goods. The Wildlife Trusts said in January that “Government must invest in monitoring and evaluation throughout ELM”, with “specific monitoring on SFI, which we fear will not generate sufficient public goods to justify its proportion of the budget”.<sup>234</sup> Sustain argued that scheme administration “must be simplified as much as possible without losing its rigour”, and suggested improvements such as reducing requirements for “unnecessary evidence gathering”, and having “a sliding scale when it comes to fines” so that smaller farm businesses pay less for breaches.<sup>235</sup> Mark Bridgeman said that measuring improvements beyond a baseline is “going to be so important” for making the case to HM Treasury for continued funding of environmental outcomes.<sup>236</sup>

92. We heard about several approaches which could help to reduce regulatory burdens on farmers while still ensuring delivery. One is to make use of existing assurance schemes, such as LEAF Marque. LEAF’s Caroline Drummond told us that farmers under LEAF Marque already “without a doubt” receive a “lighter touch” from the Environment Agency, and that assurance schemes have a “really valuable role to play” in ELM.<sup>237</sup> Natural England’s Rob Cooke also told us that piloting of “payment by results” approaches had shown potential for self-assessment of schemes by farmers.<sup>238</sup> We also heard evidence that effective advice could play a role in reducing the enforcement burden. Julia Aglionby, while acknowledging the need for enforcement, noted that “if you get [advice] right to

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229 GOV.UK, [Environment Secretary, George Eustice, speech at NFU Conference 2021](#), (accessed 7 October 2021)

230 Department for Environment, Food and Rural Affairs, [Agricultural Transition Plan: June 2021 progress update](#), Published 30 June 2021, (accessed 7 October 2021)

231 CLA ([ELM0030](#))

232 Natural England ([ELM0027](#))

233 [Q31](#)

234 The Wildlife Trusts ([ELM0024](#))

235 Sustain: the alliance for better food and farming ([ELM0025](#))

236 [Q31](#)

237 [Q118](#)

238 [Q203](#)

begin with, your need for enforcement is a lot less, because people are committed to what they are being paid to produce”.<sup>239</sup> The co-design process has already been looking at the role that can be played by both assurance schemes and self-assessment.<sup>240</sup>

**93. ELM must be accessible and avoid the bureaucratic barriers to entry and punitive regulations which plagued previous agri-environment schemes. We welcome Defra’s commitment to improving their approach to regulation and enforcement, but emphasise the importance of delivering on these promises to build confidence and promote the uptake of ELM, lifting the burden on those who follow the rules while ensuring that public money is being well spent on delivering meaningful outcomes. Defra should provide more detail in its response to this Report on how it intends to use of a range of mechanisms, including a risk-based approach and where appropriate assurance schemes and self-assessment, to ensure that farmers in ELM agreements are delivering for the environment while not being subject to unnecessarily burdensome and bureaucratic regulation.**

94. The administration of farm support schemes has been long beset by issues with IT systems. In 2015, the NAO stated that Defra had since 2005 incurred a cost of £642 million in “disallowance” penalties (imposed when the European Commission believes member states have not complied with CAP requirements) in part due to issues with the RPA’s Rural Land Register.<sup>241</sup> Defra also worked to develop a new IT system for the 2014–20 CAP programme, but in March 2015 the online application system was replaced with a “paper-assisted digital” approach following a number of insurmountable failures. By September 2015, the expected cost of the programme had risen to £215 million, 40% higher than originally forecast.<sup>242</sup> The Wildlife Trusts’ James Adler told us that the systems underpinning BPS and Countryside Stewardship “make monitoring of the success of the fundamental underpinning of these schemes very difficult”. He said that that “the present systems creak under the present schemes”, and that with ELM, “we are talking about something much more ambitious”.<sup>243</sup> In 2019, the National Audit Office found that Defra was starting to specify its digital requirements for the new farming programme before key decisions had been taken (such as on which environmental outcomes would be rewarded and what payment methods would be used), increasing the risk that “significant technology changes” would be needed later.<sup>244</sup>

95. Defra’s Director-General for Food, Farming and Biosecurity, David Kennedy, told us in June 2020 that the Department had decided to “use but improve” and “strip [...] back” the existing CAP delivery system for “the first phase of the ELM pilot”, explaining that “the delivery risk of trying to build a new portal or different parts of the system was

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239 [Q61](#)

240 Department for Environment, Food & Rural Affairs, [First steps for our co-design workshops](#), January 2021; Department for Environment, Food & Rural Affairs, [Measuring success: the role of self-assessment](#), September 2021

241 National Audit Office, [Managing disallowance risk](#), July 2015 HC 306, pp 5, 9. The £642 million figure relates to the 2007–13 Single Payment Scheme, a number of smaller 2007–13 schemes and pre-2007 predecessor schemes. CAP 2015–20 schemes had not at this point been subject to review by the European Commission and so levels of disallowance were not yet known.

242 Public Accounts Committee, Twenty-sixth Report of Session 2015–16, [The Common Agricultural Policy Delivery Programme](#), HC 642, para 3

243 [Q173](#)

244 National Audit Office, [Early Review of the New Farming Programme](#), June 2019 HC 2221, p 9

too high”.<sup>245</sup> The RPA’s Paul Caldwell told us in July 2021 that that feedback on the pilot system had been positive. He noted that “there is work to do to demonstrate whether or not that is scalable”, telling us that the programme was “engaged in a discovery phase to see whether other alternatives are preferable”.<sup>246</sup>

**96. Past experience has shown the potential for failures in digital delivery to do real damage to farmers’ trust in Government. We recognise that Defra has decided to initially use a simplified version of existing systems rather than attempting to build something from scratch. However, the Government’s plans for ELM are far more ambitious than previous schemes, and concerns have previously been raised that it will find itself playing catch-up if it realises too late that its systems are not suitable. This must not be allowed to happen. Defra should explain in its response its approach to ensuring that it will have suitable and scalable IT systems in place to deliver the full ELM scheme from 2024.**

97. There has also been no public confirmation as to which body—whether the RPA, or perhaps some potential new regulator as recommended in a December 2018 report by Dame Glenys Stacey—will be responsible for administering ELM in the long term.<sup>247</sup> The National Audit Office reported in September 2021 that four out of five of Defra’s arm’s-length body delivery partners had expressed frustration earlier in 2021 about the lack of clarity of their roles in ELM delivery, although more recent improvements in Defra’s engagement had been noted. The RPA was “clear about its role at least in relation to more immediate delivery milestones”, but it had also told the NAO that Defra did not always understand or take into account the operational impact of its policy decisions.<sup>248</sup> The previous EFRA Committee’s 2018 report on *Performance of the Rural Payments Agency* recommended that Defra “fully involves the RPA in Brexit transition discussions to ensure that operational practicalities are properly reflected in policy development”.<sup>249</sup>

98. We asked the RPA and Natural England about operational responsibility for the scheme when they appeared before us in July 2021. RPA Chief Executive Paul Caldwell told us that “it is for the programme to decide its future operating model, and that work is still in train”.<sup>250</sup> Natural England Chair Tony Juniper likewise told us that “decisions are still to be made, but one would expect that Natural England would have quite a strong role on the delivery side”.<sup>251</sup> When we asked the Secretary of State about the recommendation for a new regulator, he responded that “we have not ruled that out, but we are not in a position to make that judgment now”.<sup>252</sup>

**99. We note that we are nearing the end of the first year of a seven-year agricultural transition, and Defra does not yet appear to have made key decisions about which bodies will be responsible for delivering the biggest change to farm support in decades. It is only fair to farmers, and to the agencies themselves, that Defra provide fair notice**

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245 Environment, Food and Rural Affairs Committee, Oral evidence: Environmental Land Management Schemes taken on 16 June 2020, [HC 445](#)

246 [Q204](#)

247 Department for Environment, Food and Rural Affairs, [Farm Inspection and Regulation Review](#), December 2018

248 National Audit Office, [The Environmental Land Management Scheme](#), September 2021 HC 664, pp 27–29

249 Environment, Food and Rural Affairs Committee, Fifth Report of Session 2017–19, [Performance of the Rural Payments Agency](#), HC 887, para 38

250 [Q185](#)

251 [Q186](#)

252 [Q244](#)

**of what it will be asking of its arms-length bodies in the very near future. *Defra should explain in its response to this Report at what time it will clearly communicate a final decision about which bodies will have operational responsibility for the ELM schemes.***

## Conclusions and recommendations

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### The agricultural transition

1. The scale of environmental, social and economic change facing English farming cannot be understated. This includes the global challenge of climate change and the need to operate in new trading conditions, but it also includes the Government's decision to fundamentally change the basis of agricultural policy. The agricultural transition must work for farmers and make a significant contribution to achieving the Government's environmental objectives. (Paragraph 14)
2. Considerable uncertainty remains about how the 7-year agricultural transition will affect English farming. As direct payments are withdrawn, there is a risk that farmers will resort to less environmentally sustainable methods to make up for lost income, leave the sector or go out of business entirely. We are concerned that Defra has not published a comprehensive assessment of the impacts of its policy, and the Secretary of State himself acknowledged to us that we know who will lose money but not how many will take up the new schemes. The Secretary of State also told us that land rents "might" adjust downwards, but has not adequately demonstrated this. The Department needs to make a detailed and comprehensive assessment of the economic and environmental impacts of removing direct payments. *Defra should publish an impact assessment, covering plausible scenarios, detailing how the transition from direct payments to ELM will impact the viability of farm businesses, broken down by sector and by region. Defra should also detail the anticipated environmental impacts if the delivery and uptake of ELM falls short of its ambitions, for instance, if farmers decide that it makes more financial sense to intensify production than to enter into ELM.* (Paragraph 21)
3. Defra has put insufficient emphasis and care into managing the process of transition itself, and there is a risk that this will be a haphazard process leading to unintended consequences. Ministers' absolute determination to press ahead with the timescale for phasing out direct payments and introducing ELM, even when confronted with significant disruption across Government and the economy, also suggests an unwillingness to adapt to unforeseen circumstances. We would expect that this contingency planning should already be taking place, and we note that Defra officials have previously asked for a delay to the pilot due to delivery concerns. After years of delay and uncertainty, time is now short, and Defra must do more to give us confidence that it will take account of changing circumstances as the agricultural transition proceeds. *Defra should commit to regularly reviewing its plan for the agricultural transition and to developing contingency plans, including plans to provide for greater flexibility in the phasing out of direct payments. These reviews should draw on a comprehensive assessment of the impact of Defra's policies. Defra should implement its contingency plans if it becomes necessary to ensure continued farm viability.* (Paragraph 30)
4. The Committee commends Defra's commitment to co-designing the agricultural transition, and appreciates the challenges involved. However, there appears to be a disconnect in the co-design process between listening to stakeholders and being seen

to act on this feedback. The benefits of effective co-design should include helping to build trust and confidence between farmers and the Government, so this failure of communication represents a significant missed opportunity. (Paragraph 39)

5. We are pleased that Defra's engagement has improved over the last year, but delays in communication due to delays in policy development have already impacted farmers' ability to plan for the significant changes ahead. Defra itself cannot directly reach every farmer, but it is essential that every farmer and land manager is made aware of what is coming. The scale and complexity of Defra's policy means that a clear strategy to communicate its plans to the full range of farmers and land managers, with measurable objectives, is needed. If this is not in place, the agricultural transition risks falling at the first hurdle. *Defra should develop a clear engagement strategy with plans in place to measure its success in reaching the full range of farmers and land managers, and consider how advisory networks and intermediary organisations may be more effectively used to communicate key information about the agricultural transition. In order to build confidence and foster buy-in, this engagement strategy should also involve a concerted effort to demonstrate how the views of farmers and land managers have fed into the design of ELM.* (Paragraph 40)

## Environmental Land Management

6. We are concerned that Defra is already in the process of delivering its multi-billion pound ELM programme, representing the biggest change to farming policy in decades and a central delivery mechanism for the Government's environmental goals, without having published any measurable objectives. We understand that the process of developing objectives is underway, but we are already nearly a year into the agricultural transition and Defra has not explained in detail how it will show that the money being taken away from farm payments is being spent effectively. This should happen as soon as possible, and definitely before the Sustainable Farming Incentive opens for applications in 2022, representing the start of the ELM schemes proper. *Before the SFI application window opens in 2022, Defra should publish precise, measurable objectives for ELM and explain how it intends to track progress towards achieving these goals. Defra should provide detail on how these objectives will contribute to the Government's wider environmental ambitions, and will be integrated with other policies and delivery mechanisms including Local Nature Recovery Strategies. It should also set out the role Natural England will play in evaluating schemes and ensuring that they are joined up with other policies.* (Paragraph 46)
7. The Government has been clear that the success of ELM is critical to meeting its environmental ambitions, but this will require huge uptake of the scheme and the funding to ensure that. If farmers are to enter into multi-year agreements to deliver public goods, they deserve a clear guarantee that the Government is committed to the sustained, long-term funding of this transition. *Defra should commit, as a minimum, to retaining the current agriculture budget until at least 2029 as recommended in the independent National Food Strategy.* (Paragraph 50)
8. A substantial proportion of farmed land in England is tenanted, and common land accounts for a significant percentage of land delivering important public goods such as biodiversity and public access. It is important that the particular needs of

tenants and commoners are properly accounted for in the scheme's design, rather than forcing them into a scheme designed for owner-occupiers. Defra also needs to ensure that Farm Business Tenancies, which tend to be short-term, are compatible with entering into ELM agreements. (Paragraph 59)

9. Upland livestock farmers have often been among the most dependent on direct payments, but there is also evidence that existing agri-environment schemes have reduced income stability for upland livestock farmers in less favoured areas. Those farming the uplands, and tenanted and common land, will face particular challenges during the agricultural transition, and Defra must not squander the considerable potential of this land to deliver public goods. *Defra should explain in its response to this Report how the needs of those farming uplands, commons and tenanted land, who risk being disadvantaged during the transition, will be reflected in its ELM schemes. It should also explain how it will ensure the environmental and societal benefits of upland and common land pasture are recognised in ELM.* (Paragraph 60)
10. It is important that ELM supports the delivery of a full range of public goods. Biodiversity and net zero are crucial objectives, but Defra should not lose sight of the invaluable role that farmers and land managers can also play in supporting public access to the countryside, and maintaining heritage assets for current and future generations. We look forward to more detail on how ELM will contribute to this. *Defra should explain in its response to this Report how it will ensure that public access and heritage are recognised in the SMART objectives for ELM, and that the delivery of these public goods receives adequate funding.* (Paragraph 62)

### The Sustainable Farming Incentive

11. It is important that the Sustainable Farming Incentive does not repeat the failures of previous agri-environment schemes like Entry Level Stewardship, which achieved high uptake but failed to drive significant environmental delivery. It must also not create perverse incentives or fail to reward existing good practice. The SFI should form part of a process, supporting farmers to deliver more and more for the environment over time. *Defra should set out in its response to this Report how the Sustainable Farming Incentive will reward existing good practice at the same time as encouraging farmers to undertake new environmental activities. It should also explain how the SFI will support improved environmental delivery over time.* (Paragraph 69)
12. A degree of simplicity may be necessary in order to achieve high SFI uptake, and we acknowledge that an approach based on specific actions and parcels of land will work for many farmers. However, Defra should not miss opportunities to also support a more ambitious whole-farm approach to delivering public goods. This could also help farmers produce food both more sustainably and more competitively, by making the best use of their land and reducing costs. *Alongside the parcel-based actions within the SFI, Defra should set out a plan to support public goods delivery at the whole-farm level, including using the pilot phase of SFI to evaluate the merits of including a whole-farm standard in the scheme.* (Paragraph 73)
13. We share the concerns of many that the existing approach to calculating payments based on “income foregone” will be unattractive to farmers and ineffective for the environment. Payments for environmental actions need to fairly and fully represent

the management costs associated with delivering them. It is also true that agri-environment delivery has in the past been underpinned by BPS payments, and Defra must ensure that payments for new schemes are high enough to account for the loss of this money. (Paragraph 79)

14. We acknowledge that Defra has announced higher payment rates for the SFI in 2022, but farmers still lack the full details on payment rates across ELM that would enable them to start planning now. We also welcome Defra publishing new information on its payment principles, but the Department itself has acknowledged that it will not always be possible to apply these. Defra must get the payment rates for ELM right if it is to secure the levels of uptake needed to achieve its environmental ambitions. *Defra should explain in its response to this Report how it will set payment rates for the full SFI in 2024, and the other ELM components, to ensure that participating in these schemes is an attractive option for farmers as BPS is withdrawn. This should include assessing levels of participation in SFI 2022, and whether this suggests that higher payment rates will be needed in future to ensure the necessary uptake.* (Paragraph 80)

### Advice and regulation

15. High quality advice, which is appropriate to the individual farm and takes into account the specific local conditions, is essential if farmers are to be productive and deliver environmental benefits. We acknowledge Defra's intention that the Sustainable Farming Incentive should not require expert advice, but this should not mean that opportunities are missed to help farmers go further through effective facilitation. In particular, peer-to-peer learning should form an important element of the agricultural transition. Seeing others turn to more sustainable practices, and succeed, will play a valuable role in giving many farmers the confidence to engage with ELM. *Defra should fund and facilitate knowledge exchange and peer-to-peer learning among farmers to drive scheme uptake and effective delivery of public goods. Defra should also ensure that farmers and land managers have access to effective local facilitators, who can help them improve their delivery.* (Paragraph 87)
16. Evidence suggests that some farmers currently do not pay for environmental advice because it is not deemed commercially relevant to them. As the focus of farm payments moves to public goods, it is important that these farmers are supported to access the advice that they will need to ensure they are not left behind. *Defra should explain in its response to this Report how it will ensure that a reluctance to pay for advice does not inhibit the uptake of ELM and the delivery of public goods.* (Paragraph 88)
17. ELM must be accessible and avoid the bureaucratic barriers to entry and punitive regulations which plagued previous agri-environment schemes. We welcome Defra's commitment to improving their approach to regulation and enforcement, but emphasise the importance of delivering on these promises to build confidence and promote the uptake of ELM, lifting the burden on those who follow the rules while ensuring that public money is being well spent on delivering meaningful outcomes. *Defra should provide more detail in its response to this Report on how it intends to use of a range of mechanisms, including a risk-based approach and where appropriate*

*assurance schemes and self-assessment, to ensure that farmers in ELM agreements are delivering for the environment while not being subject to unnecessarily burdensome and bureaucratic regulation. (Paragraph 93)*

18. Past experience has shown the potential for failures in digital delivery to do real damage to farmers' trust in Government. We recognise that Defra has decided to initially use a simplified version of existing systems rather than attempting to build something from scratch. However, the Government's plans for ELM are far more ambitious than previous schemes, and concerns have previously been raised that it will find itself playing catch-up if it realises too late that its systems are not suitable. This must not be allowed to happen. *Defra should explain in its response its approach to ensuring that it will have suitable and scalable IT systems in place to deliver the full ELM scheme from 2024. (Paragraph 96)*
19. We note that we are nearing the end of the first year of a seven-year agricultural transition, and Defra does not yet appear to have made key decisions about which bodies will be responsible for delivering the biggest change to farm support in decades. It is only fair to farmers, and to the agencies themselves, that Defra provide fair notice of what it will be asking of its arms-length bodies in the very near future. *Defra should explain in its response to this Report at what time it will clearly communicate a final decision about which bodies will have operational responsibility for the ELM schemes. (Paragraph 99)*

# Formal minutes

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**Thursday 21 October 2021**

**Members present:**

Neil Parish, in the Chair

Dr Neil Hudson

Mrs Sheryll Murray

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Draft Report (*Environmental Land Management and the agricultural transition*), proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 99 read and agreed to.

Summary agreed to.

*Resolved*, That the Report be the Second Report of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available (Standing Order No. 134).

[Adjourned till Tuesday 26 October at 2.00 p.m.]

## Witnesses

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The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

### Tuesday 11 May 2021

**Tom Bradshaw**, Vice President, National Farmers' Union; **George Dunn**, Chief Executive, Tenant Farmers Association; **Mark Bridgeman**, President, Country Land and Business Association

[Q1–33](#)

**Dr Julia Aglionby**, Executive Director, Foundation for Common Land; **Phil Stocker**, Chief Executive, National Sheep Association; **Neil Shand**, Chief Executive, National Beef Association

[Q34–62](#)

### Tuesday 25 May 2021

**Martin Lines**, UK Chair, Nature Friendly Farming Network; **Vicki Hird**, Head of Sustainable Farming, Sustain; **Ian Davis**, Spokesperson, Farming Forum Grassroots Group

[Q63–99](#)

**Caroline Drummond**, Chief Executive, Linking Environment And Farming (LEAF); **Jeremy Moody**, Secretary and Adviser, Central Association of Agricultural Valuers; **Jenny Phelps**, Senior Farm Conservation Advisor, Farming and Wildlife Advisory Group South West

[Q100–125](#)

### Tuesday 22 June 2021

**Dr Janet Dwyer**, Director, Countryside and Community Research Institute; **Dr Ruth Little**, Lecturer in Human Geography, University of Sheffield

[Q126–151](#)

**Alice Groom**, Senior Policy Officer, Royal Society for the Protection of Birds; **James Adler**, National Land Management Adviser, The Wildlife Trusts; **Professor Rosie Hails**, Director of Nature and Science, The National Trust

[Q152–182](#)

### Tuesday 20 July 2021

**Paul Caldwell**, Chief Executive Officer, Rural Payments Agency; **Tony Juniper**, Chair, Natural England; **Rob Cooke**, Greener Farming and Fisheries, Natural England

[Q183–209](#)

**Rt Hon George Eustice MP**, Secretary of State, Department for Environment, Food and Rural Affairs; **Janet Hughes**, Programme Director for the Future Farming and Countryside Programme, Department for Environment, Food and Rural Affairs

[Q210–265](#)

## Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

ELM numbers are generated by the evidence processing system and so may not be complete.

- 1 Abelenda, Mr Alejandro Moure (Researcher, Lancaster University) ([ELM0015](#))
- 2 Agricultural Industries Confederation ([ELM0005](#))
- 3 Agrovista UK Ltd ([ELM0004](#))
- 4 Association of Drainage Authorities (ADA) ([ELM0045](#))
- 5 Bailey, Juliet ([ELM0020](#))
- 6 Bassett, Jane (Farmer, Sennilow Farm) ([ELM0039](#))
- 7 British Veterinary Association ([ELM0035](#))
- 8 CLA ([ELM0030](#))
- 9 CSA Network ([ELM0043](#))
- 10 Central Association of Agricultural Valuers ([ELM0050](#)), ([ELM0051](#))
- 11 Confederation of Forest Industries ([ELM0037](#))
- 12 Countryside and Community Research Institute ([ELM0046](#)), ([ELM0054](#))
- 13 Curlew Action (registered charity) ([ELM0032](#))
- 14 DJM Consulting ([ELM0041](#))
- 15 English Organic Forum ([ELM0023](#))
- 16 Farm Consultancy Group ([ELM0007](#))
- 17 Farming Forum Grassroots Group ([ELM0003](#)), ([ELM0052](#))
- 18 Federation of Cumbria Commoners ([ELM0019](#))
- 19 Food, Farming and Countryside Commission ([ELM0042](#))
- 20 Foundation for Common Land ([ELM0031](#))
- 21 Game & Wildlife Conservation Trust ([ELM0034](#))
- 22 Guildford Business Forum Rural Group ([ELM0011](#))
- 23 Harding, Millicent (Undergraduate student, Durham University) ([ELM0002](#))
- 24 Historic England ([ELM0028](#))
- 25 Institute of Chartered Foresters ([ELM0029](#))
- 26 Jewers, Mr Tom (Farmer, G.D.Jewers & Son) ([ELM0001](#))
- 27 Little, Dr Ruth (Lecturer in Human Geography , University of Sheffield); Lyon, Jess (Research Assistant, University of Sheffield); Rose, Dr David (Elizabeth Creak Associate Professor of Agricultural Innovation and Extension, University of Reading); Tsouvalis, Dr Judith (Research Associate, University of Sheffield); Luis Fajardo Escoffié, Dr José (Research Associate, University of Sheffield); Burns, Professor Charlotte (Professor of Politics, University of Sheffield); and Hartley, Professor Susan (Vice-President for Research , University of Sheffield) ([ELM0044](#)), ([ELM0053](#))
- 28 National Farmers Union ([ELM0012](#))
- 29 National Sheep Association (NSA) ([ELM0036](#))

- 30 Natural England ([ELM0027](#))
- 31 Nature Friendly Farming Network ([ELM0021](#))
- 32 Open Spaces Society; British Canoeing; British Mountaineering Council; and Ramblers ([ELM0017](#))
- 33 PAN UK ([ELM0014](#))
- 34 Pasture-Fed Livestock Association CIC ([ELM0047](#))
- 35 Phipps, Dr Louis (Farmer-ecologist, Phipps Farm Partnership) ([ELM0022](#))
- 36 Plantlife ([ELM0008](#))
- 37 Rare Breeds Survival Trust (RBST) ([ELM0033](#))
- 38 Royal Society for the Protection of Birds (RSPB) ([ELM0010](#))
- 39 Sayer, Prof Karen (Professor of Social and Cultural History, Leeds Trinity University) ([ELM0040](#))
- 40 Small Woods Association ([ELM0016](#))
- 41 Sustain: the alliance for better food and farming ([ELM0025](#))
- 42 Sustainable Soils Alliance ([ELM0013](#))
- 43 Tenant Farmers Association ([ELM0049](#))
- 44 The Association for Renewable Energy and Clean Technology (REA) ([ELM0038](#))
- 45 The Wildlife Trusts ([ELM0024](#))
- 46 UK Centre for Ecology & Hydrology ([ELM0006](#))
- 47 Wildlife and Countryside Link ([ELM0026](#))
- 48 Willcocks, Mrs Ann (Farmer, W H & A Willcocks) ([ELM0009](#))
- 49 WWF ([ELM0048](#))

# List of Reports from the Committee during the current Parliament

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All publications from the Committee are available on the publications page of the Committee's website.

## Session 2021–22

Number	Title	Reference
1st	Moving animals across borders	HC 79

## Session 2019–21

Number	Title	Reference
1st	COVID-19 and food supply	HC 263
2nd	Pre-appointment hearing for the Chair-Designate of the Office for Environmental Protection (OEP)	HC 1042
3rd	The UK's new immigration policy and the food supply chain	HC 231
4th	Flooding	HC 170
5th	Air Quality and coronavirus: a glimpse of a different future or business as usual	HC 468
6th	Public Sector Procurement of Food	HC 469
7th	Covid-19 and the issues of security in food supply	HC 1156
8th	Seafood and meat exports to the EU	HC 1189