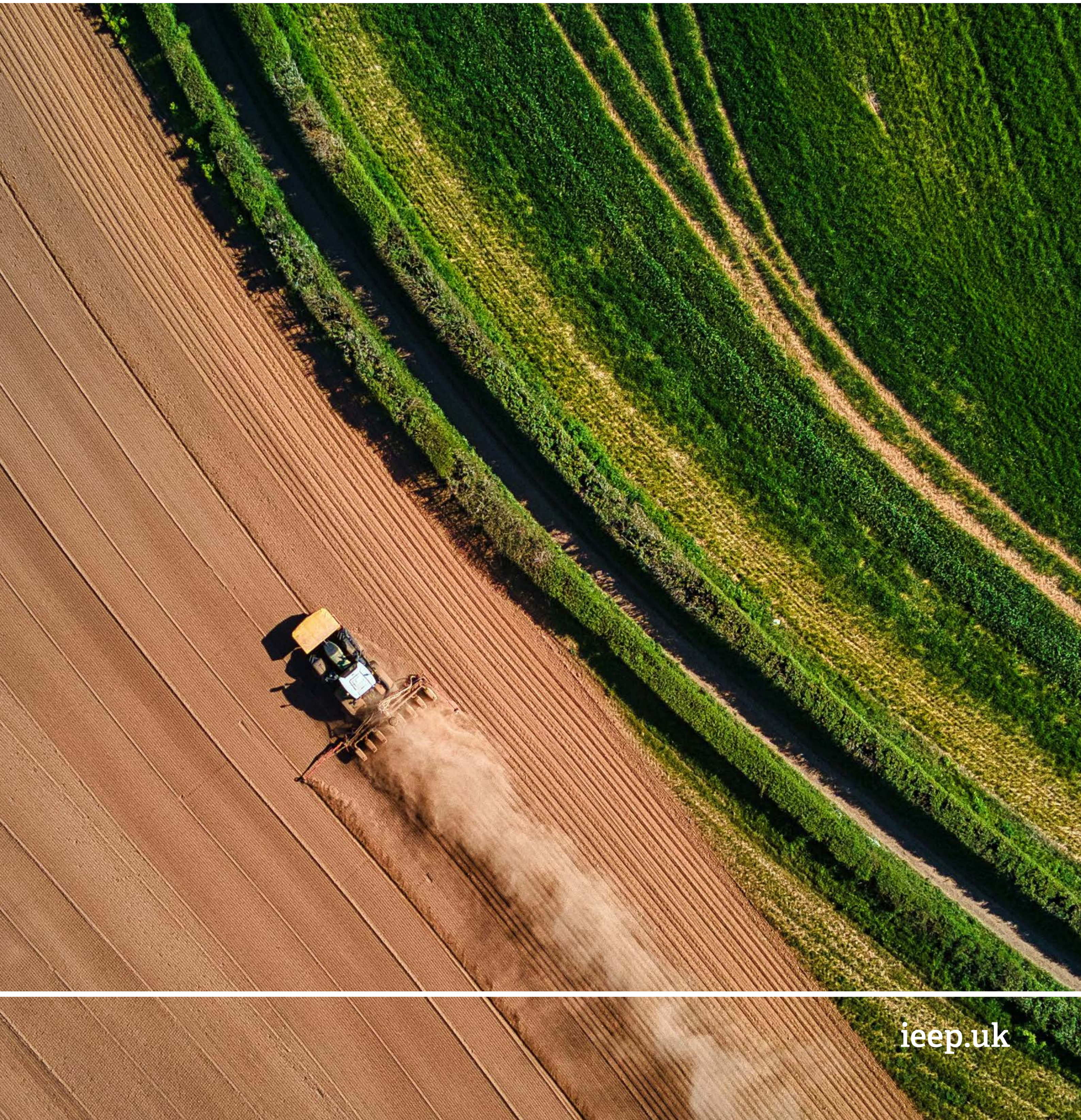
REPORT

Institute for European Environmental Policy UK

AGRI-ENVIRONMENTAL POLICIES IN ENGLAND AFTER BREXIT



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August 2024

Institute for European Environmental Policy UK

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Citation

Baldock, D. and Kam, H. (2024) '*Agri-Environmental Policies in England after Brexit*'
Report, Institute for European Environmental Policy.

Disclaimer

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Acknowledgements

The authors would like to thank those people who were generous with their time in talking to us about the development and impact of policy in England and the engagement of stakeholders and for comments on the draft by colleagues.

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About the study

As part of the Foreign Policy Instrument (FPI) project 'Building a new relationship with the United Kingdom', the EU Delegation to the UK of Great Britain and Northern Ireland requested Mr David Baldock, also a Senior Fellow of the Institute for European Environmental Policy UK (IEEP UK) and Dr Hermann Kam, presently Policy Analyst at IEEP, to prepare a descriptive analysis of 'Agri-Environmental Policies in England after Brexit'. The study reflects the views only of the authors, and the EU Delegation cannot be held responsible for any use which may be made of the information contained therein.

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Policy developments since the completion of this study

Since this report was completed in August 2024, there have been developments in policy applying to agriculture in England and other parts of the UK. Some of the most significant of these were those announced at the time of the national budget at the end of October 2024. These have not involved fundamental changes in approach. The overall direction of travel set out in the **English Agricultural Transition Plan has been maintained**, and somewhat accelerated in the sense that the reduction in direct payments in 2025 will be significantly greater than anticipated. The overall financial ceiling for financial support to farmers in England for the year ahead was maintained at the previous level of £2.4 billion, amounting to a freeze in real terms. By early December 2024 there had yet to be any information about how the budget may evolve beyond 2025.

However, in 2025 there will be a **redistribution of the agricultural budget** with a reduction in expenditure on direct payments, which will provide funds for planned increased spending on agri-environment schemes within the Environmental Land Management schemes (ELMs) programme. The reduction in direct payments in 2025 applies particularly to those receiving the largest payments above £30,000 per annum. Payments above this threshold will not be made, while a reduction of 76% will be made for payments below £30,000. In effect, a ceiling of £7,200 per holding will apply.

At the same time, it was announced that **agricultural land will no longer be entirely exempt from inheritance tax** as it is currently. From 2026 there will be a ceiling beyond which it will be subject to inheritance taxation, although this will be at a lower level than that applied to the assets of private citizens more generally. The announcement to the change in inheritance tax laws has triggered widescale protest by farmers and their organisations.

Looking ahead, the new government is reviewing certain policies in the agri-food domain. The Defra Secretary of State, Steve Reed, announced in November 2024 that there will be a new 25-year “roadmap” for farming in England, details of which have yet to be revealed. In addition, Mr. Reed announced in December 2024 that the Government will develop a new food strategy in the first half 2025 which will seek to improve accessibility to healthier food and improve food security, investment, productivity and innovation within the food sector, and support the farming roadmap by decarbonising farming and reducing its impact on nature and biodiversity. This may give rise to new policy initiatives and a more pronounced emphasis on seeking to influence food consumption patterns. There may be alterations in agricultural policy arising from this: for example the new Government has not expressed explicit commitments to certain of the current non-statutory targets for agriculture, such as the target of maintaining domestic food production at around 60% of what can be produced domestically.

Separately, the Government announced at the COP29 Conference in Baku in November that the UK’s target for GHG emissions by 2035 would be a reduction of 81% on 1990 levels, an increase in ambition. This could have implications for agriculture and land use amongst other sectors of the economy.

EXECUTIVE SUMMARY

This report arises from a short study undertaken in the first half of 2024, part way through the agricultural transition and the rolling out of the new Environmental Land Management schemes (ELMs). It is not a comprehensive review or assessment but an initial perspective on a significant set of changes to agricultural policies in England.

A new chapter in the history of United Kingdom of Great Britain and Northern Ireland agricultural policy began with the country's departure from the EU and the Common Agricultural Policy. With agricultural policy being a devolved competence within a centrally determined budget, each of the four nations within the UK chose to develop its own approach and manage the transition on its own timelines. Significant differences have emerged already since 2018, with Scotland, Wales and Northern Ireland initially retaining most of the CAP model but now embarking on a variety of changes with a stronger focus on the provision of environmental services and phasing out of the current model of direct payments. England is committed to a new approach with the Agriculture Act of 2020 making a fundamental change to the objectives of expenditure supporting farmers and committing to the end of direct payments.

Further divergence in policy between the four nations can be expected in the future within some common UK frameworks, including trade policy and structures intended to protect the single market within the UK, notably the Internal Market Act and the Agricultural Support Framework, a mechanism for cooperation.

This report is concerned primarily with policy in England, which has moved the furthest away from the CAP, and is also of interest because of the extensive changes being made in pursuit of new objectives. There is a particular focus on the new ELMs rather than the full policy spectrum since these are central to the new approach.

The Agricultural Transition

In England, once the new legal foundation was in place, an Agricultural Transition Plan was established for the period of 2021-2027. Under this, direct payments are being phased out over seven years and more environmentally focused schemes are being enlarged substantially, essentially following a "Public Money for Public Goods" approach. The primary public goods are environmental, but animal health and welfare are also included. Food security is not classed as a public good but there is an objective of maintaining the proportion of food derived from domestic production in England at around 60%. Increased agricultural productivity is the only other formal economic objective.

Nearly all the spending schemes benefitting farmers are brought together in a Farming and Countryside Programme (FCP), which is the responsibility of the Department for the Environment, Food and Rural Affairs (Defra) with assistance from agencies, including the Rural Payments Agency, the Environment Agency and Natural England.

There is an annual average budget of around £2.4 billion for England to 2024/25 – although that is not guaranteed for future years. Actual spending has been slightly below this level but expected to rise in the final year as new schemes expand. There is considerable flexibility for Defra, to move funds between schemes and change payment rates. Direct payments will have been reduced to about half of their previous level by the end of 2024, when the transition is around the halfway point. Expenditure on environmental schemes has approximately doubled since 2020/21 and is projected to nearly double again in the coming year. They comprise a combination of established "legacy" schemes, originating in the CAP and a new generation of schemes collectively known as the Environmental Land Management schemes or ELMs.

Balance of measures

The regulatory baseline has changed little during the period and an expected review has not taken place. The focus of the FCP has been almost wholly on developing voluntary incentive measures. In the regulatory sphere the approach has been to rely more on persuasion than the use of penalties. Advice has been made available for farm business development in particular but the scale of advisory schemes has not been large, especially in the context of a major transition. There have been developments in food policy but demand side measures aiming to increase the sustainability of consumption patterns have not been deployed to any significant degree. Within agriculture policy, new economic instruments such as taxes and levies and emission trading schemes have not been deployed or debated with any seriousness.

ELM scheme objectives and structure

The overall objectives of the ELM schemes are to achieve progressive environmental improvements, reductions in pollution and other pressures, improved animal health and welfare and the maintenance of food production at around its present level. More specifically, the environmental objectives include biodiversity protection and enhancement, landscape management, climate mitigation and adaptation, reductions in water and air pollution, more sustainable soil management, greater resource efficiency, extended tree cover, protection of the historic environment on farmland and increased public access to farmland. ELMs are voluntary agri-environment schemes involving agreements for farmers stretching from one year, but more usually three, and up to twenty years. They are conventional schemes with respect to the type of agreements, with a number of new features and designs augmented by an ambitious new model in the shape of the Landscape Recovery Scheme. More broadly, there has been limited use of results-based approaches and no market-based innovations such as reverse auctions, which were amongst the many options considered in the initial period.

Within ELMs there have been changes during the development stage but fundamentally there are three tiers, the most accessible of which for farmers is the **Sustainable Farming**

Initiative (SFI) which is being built up in stages to be the core measure, with many innovative features. It is open to all eligible farmers on a non-competitive basis and intended to attract the widest participation. It includes a wide menu of specific "actions" which are eligible for funding, recently increased to more than 100, each with its own payment rate. Payment rates recently have been increased and augmented for certain environmentally preferred actions. Actions are defined in terms of the desired outcome, establishing a crop to benefit pollinators for example but agreements avoid specific requirements such as cutting dates for meadows so that formal checks and potential breaches can be minimised. Aside from preferential pricing, there is little targeting and farmers can choose options at will. The SFI is more flexible than previous schemes, relatively easy to enter and can be joined at any month in the year through a rolling programme. Applications are processed very quickly. It is central to the aim of expanding ELMs and the level of participation by farmers.

The second tier is the **Countryside Stewardship Scheme** which comprises several different elements - many established prior to the current ELMs framework. The mid-tier annual payment agreements for farmers are a core element and are more targeted than the SFI. However, they are being merged with the SFI in a new "combined offer" in a process starting in 2024. The higher tier of Countryside Stewardship is more ambitious in terms of environmental requirements, with agreements often over a ten-year period, involving more tailored approaches to land management. The scheme includes capital grant sub schemes for woodland and farmland as well as multiannual management payments.

The top tier, the new **Landscape Recovery Scheme**, is geographically focused and targeted on ambitious habitat recovery projects in a discrete locality, typically of 500 to 5,000 hectares, with projects requiring the collaboration of multiple landowners and land managers. Options involving woodland management as well as agricultural land are available. Entry is via competitive annual rounds and on a limited scale. In the first round 22 projects were selected. As the "deepest" green measure this is seen as particularly important in delivering environmental targets, for peat restoration for example. There is a good supply of applicants but some suspicion amongst sections of the farming community worried that it leans towards "re-wilding".

As of April 2024, 40,700 farmers were enrolled in agri-environmental schemes – representing close to 40% of all farms. The aim is to enrol 70% of farms by 2028.

Further schemes

The Farming and Countryside Programme also includes several other schemes, some taken over from the CAP, others modified or newly introduced. Amongst these are several relatively small-scale focused measures, such as for horticultural development and a pilot for new entrants, as well as a number of additional agri-environment measures, some of which are being phased out as ELMs builds up.

The established Farming Advice Service focuses on assisting with compliance with regulations and is supplemented by an expanding Catchment Sensitive Farming scheme mainly addressing water and air pollution. A new Farming Advice Service is designed to offer mainly business advice but there is demand for a wider spectrum of supportive advice in addition.

A group of mainly new capital grant and other supplementary schemes is in place, aiming to support increased productivity and innovation as well as environmental objectives, including short term priorities such as improved slurry storage. The Farming Transformation Fund has several sub-elements with more specific objectives which can be changed over time and readily opened and closed to new applicants. Objectives have included assisting investment in innovative technologies, on-farm processing and adding value to primary products and improved water management. The budget for these grant schemes has been fairly static but is expected to grow considerably.

Creating new markets for environmental services

The Government also has plans to mobilise substantial sums of private sector funding to supplement the public programmes, but this is expected by most observers to take some time to materialise more fully. The development of markets and associated mechanisms, such as strong verification regimes, are progressing but operate at a limited scale. At present, hesitancy amongst farmers can be attributed to concerns about measurement, verification and the long-term value of agreements as well as the novelty of the approach.

The regulatory baseline

The suite of environmental, animal welfare and related regulations applying to agriculture has changed little since 2016. As in many countries, there are significant weaknesses in the way that these regulations are applied on the ground and breaches are widespread. Improving regulatory compliance is one of the aims of the Agriculture Transition Programme and the number of inspections by Environment Agency staff has been stepped up with a change of approach to emphasise advice rather than recourse to penalties other than as a last resort. It is far from clear how much impact this will have on the ground and pollution levels remain a major concern, with well publicised problems in a variety of catchments.

Cross-compliance has been applied in more of a light touch fashion and was removed at the beginning of 2024, so there are no specific environmental conditions attached to ELM agreements other than the obligation to comply with applicable environmental law.

Environmental objectives

Policies supporting agriculture and associated land management, particularly the ELM schemes, are one of the primary mechanisms available to secure progress against those environmental objectives in England relevant to land under agricultural and woodland management. However, there is no requirement in the legislation to deliver a particular share of the current objectives via the ELM programme. More concrete objectives developed internally by Defra for the Farming and Countryside Programme as a whole have filled much but not all of this gap.

New environmental legislation and objectives for England have been put in place since 2020 and have sharpened since the Agriculture Transition Plan began. Key environmental policies include the objectives and statutory targets set out in the 2021 Environment Act and the 2023 Environmental Improvement Plan (EIP), alongside the Net Zero strategy of 2021 and subsequent plans. These include the UK wide Carbon Budget Delivery Plan of March 2023, which looks ahead towards the emission reductions required up to 2037 but does not contain binding targets for emission reductions in the agriculture and land use sector.

Policy development

An intensive period of policy development for ELMs has been in place since 2018, leading to the establishment of what is expected to be the new architecture, looking increasingly settled in late 2024. This has involved extensive research and the creation of a stronger evidence base, pilot schemes at various scales, sustained engagement with stakeholders and largely internal evaluation processes. It has proceeded on a relatively fast moving "test and learn" basis rather than the more predictable, systematic planning and programming basis adopted under the CAP or the model of an early needs assessment, as in CAP Strategic Plans. The approach has provided a dynamism and flexibility not previously present in this sphere of policy development but also has created uncertainty and concern amongst many stakeholders about where policy is going in the shorter term, with varying levels of confidence in the process and understanding of how the priorities are evolving. While there has been support for the broad direction of travel in Parliament, Parliamentary committees have frequently criticised the mode of policy development and the surprises that have arisen.

Engagement and co-design

Defra emphasises the principle of "co-design" with farming and other organisations, and has run a major programme of consultation, engagement, communication, local meetings, frequent blogs and other initiatives on a scale never attempted before. Officials have been active in attending agricultural events and making themselves visible. In addition, 7,000 famers were involved in "Tests and Trials". The strong emphasis on administrative simplicity, flexibility, easy entry to schemes and much reduced emphasis on penalties and jeopardy for those farmers in breach of their conditions is a testament to the influence of the farming sector on the programme.

Nonetheless, this falls short of fundamental co-design in several respects. Stakeholders often have been frustrated by limitations on their level of engagement and influence in relation to key decisions, and by the number of surprise developments, which have created a sense of uncertainty, particularly in the case of the SFI scheme. The circle of inner stakeholders has been relatively small, and their level of close engagement has been variable. Both farming and environmental interest groups would like more engagement and consultation on key developments and a clearer sense of the timetables for measures and changes that are expected.

Accountability

External scrutiny of the FCP occurs in a number of forms following the pattern of other public expenditure in the UK, and parliamentary select committees have played an important role in this. However, the external scrutiny process by parliamentary committees has not been informed by all of Defra's internal analysis, which is only partially available to the public. The independent National Audit Office (NAO) has conducted three relatively detailed reports, with the expected degree of rigour, taking evidence from outside bodies. The most recent was published in July 2024 shortly before work on this report was completed and is referenced frequently.

Delivery of ELMs

Alongside the design and introduction of new or revised schemes, there has been a consistent focus on the delivery of the programme to farmers with an emphasis on reducing barriers to entry, simplifying processes, increasing the flexibility of agreements and reducing the risk of penalties, whilst also seeking to reduce the administrative costs of the programme. This has been supported by investment in digitalisation, new IT and monitoring regimes, together with widened communication channels, including blogs, newsletters and webinars.

Rather than being a secondary dimension of the programme, a new delivery culture with slimmed down processes and reduced emphasis on compliance control, is seen as a primary characteristic of the programme, critical to its success. Most aspects of this formula are welcomed by farmers although there are concerns about the complexity of the new schemes and corresponding effort involved in selecting the best options and periodically the need to apply to several schemes and also to adjust to changes. Some of the actions involve unfamiliar practices and the guidance is not always considered sufficient. This reinforces the case for more investment in advisory services.

Administration

A much-expanded team in Defra has developed the programme and taken it forward, with delivery of most measures handled by the Rural Payments Agency. Applications to more environmentally demanding upper tier schemes involve more consultation and support from the Environment Agency and Natural England. The consequential administrative effort and cost has been a factor inhibiting the greater deployment of these schemes over the last two or three years.

The aim is to reduce administrative costs for agri-environment schemes such as ELMs from a historic level of around 18% to about 10% but progress in this direction has been slow in practice. The NAO has been urging stronger budgetary control plans and expressed concerns about several aspects of the programme during its development. In its most recent report, it recommends a range of actions for Defra, including further development of SMART objectives, detailed budgetary planning, greater clarity about the balance between schemes, strengthening of the digital and data infrastructure and increasing transparency.

More broadly, there is a tension between the drive to increase environmental value added and therefore increase targeting within ELMs and the goal of reducing administrative costs.

Monitoring and evaluation

The process of continual scheme development has involved the construction of a substantial evidence base, including extensive research, the results of the sizeable national SFI pilot as well as numerous small-scale tests and trials. There is a significant internal monitoring and appraisal process, but the results are rarely published. Natural England publishes the results of a growing range of focused evaluation studies and occasional commentaries on evaluation are included in Defra blogs. However, there is no programme of publicly available whole scheme evaluation studies conducted by independent experts and a lack of overall transparency about monitoring and evaluation.

A variety of different indicator sets are used but there is no new impact indicator framework for ELMs tied to the objectives of the schemes and the largely externally determined environmental targets. This would be useful and would add to transparency and confidence about the progress of the policy against targets that increasingly are quantified.

Uptake of schemes

Early in the FCP programme uptake was low but it is now increasing rapidly for the SFI. Uptake of Countryside Stewardship was around 35,000 agreements in April 2024, while for the new SFI it is climbing and was over 23,000 in the summer. This compares with a total of about 102,000 farm holdings in England, although not all would be eligible for enrolment into agri-environmental scheme agreements.

Participation has been easier for farmers owning their own land than for tenants, although recent changes, such as offering 3-year agreements for many SFI actions, should improve the situation. Certain groups of farms have found that few of the options available seem to apply readily to them; upland livestock farmers with land in protected areas are one group that has been particularly vocal in expressing frustration, especially given the decline in their income from direct payments. Defra are giving this consideration and making scheme adjustments.

Looking ahead, the combined offer accessed through a single portal is expected to represent a more settled model of the lower tier of ELMs than in recent years. Defra aims to bring in a majority of farmers at this level and then to increase the level of environmental ambition in the agreements that they adopt over time. The success of this model is critical to the FCP as it stands.

Policy composition and balance

The spectrum of new policies that have emerged is concentrated on voluntary agri-environment schemes, especially the “pick and mix” SFI, which now is absorbing much of the mid-tier Countryside Stewardship scheme as well. Higher tier schemes are in place but are allocated a small proportion of funding, as are advisory services and the funds available for investment aid also look tight. A new land use strategy, which might help with scheme targeting for example, also is awaited.

Measures of the kind proposed by the Climate Change Committee to bring about reductions in emissions, including accelerated tree planting and peat restoration, initiatives to reduce livestock emissions and more focus on influencing food demand have not been taken forward at scale.

Given this, there is scope to achieve more balance within the programme as it develops under the new Government.

Future budget

Judging from estimates prepared by stakeholders, who clearly have an interest in the issue, the sums required for a sufficient scale of intervention to allow both environmental and productivity targets to be met seem likely to be significantly greater than in the budget for the period to 2024/25 but it is not clear that the Government shares this view or how the budget will develop.

The original intention to divide the budget for ELMs fairly evenly between the three core schemes has been abandoned and there seems to be no clear plan to establish an alternative policy concerning this division. This creates a very significant risk that the SFI scheme will be overly dominant and crowd out the other schemes and higher tier schemes will not be deployed on the necessary scale.

Impact of ELM schemes

The policy transition is only part way through, and it is too early to judge what the impact of the transition and the new ELM schemes will be.

In relation to the **environment**, ELMs payment schemes and budgets have not been tied specifically to delivery of current environmental targets that run to the mid-2030s and beyond and it is not clear how they will be met and exactly how ELMs will contribute to the outcomes required. The Office for Environmental Protection and others have asked for a roadmap to spell this out more explicitly. This is increasingly urgent, not least following the new Government's decision to review the current Environmental Improvement Plan, which contains several targets bearing on agriculture.

There are questions about the design of the schemes, the untargeted nature of the SFI and the extent to which more environmentally ambitious agreements, particularly higher tier schemes, now can be ramped up quickly having fallen to a relatively low level.

While the growing levels of scheme participation increase the potential to steer land management in desired directions there are several risks in the current approach. One is that the flexibility, easy access and "pick and mix" formula in SFI is insufficiently prescriptive to achieve the right combinations of actions on the ground in a consistent way and in the right places, even if uptake is high. Even if the target of enrolling 70% of farms is met, the desired environmental impacts are far from guaranteed. Most experts regard targeting of incentives as crucial.

Another risk is that insufficient priority is being given to higher tier, more demanding schemes, considered by most environmental stakeholders as key in securing significant improvements, especially for biodiversity. New recruitment for higher tier schemes is currently at a low level and needs to rise very considerably, accepting some additional cost, complexity and administrative effort.

A more robust approach would include the deployment of a wider range of policy interventions, such as regulatory change alongside a well-balanced ELMs programme.

With regards to **maintaining food production**, one of the three objectives of the FCP, it is too soon to judge the longer-term impact. However, there is little evidence of initial policy change being a significant factor in the substantial output fluctuations of recent years. A stronger focus on tracking and measuring food security is emerging and Defra has not expressed serious concerns about prospective declines in the sufficiency of supplies, partly because it expects significant increases in productivity in domestic agriculture. It has demonstrated an ability to make rapid adjustments to ELMs if required to limit incentives to remove land from production. However, more work will be needed to integrate longer term environmental and food production strategies and assess the benefits of land sparing and sharing in a more explicit way in a territory where land is in short supply.

Protecting **farm incomes** is not an objective of the Agriculture Act and farmers generally have been apprehensive about the transition and the phasing out of direct payments in particular. However, the full impact of the removal of direct payments has yet to be felt in many farming sectors, especially since market conditions have been exceptional, initially with many key farmgate prices being higher than usual, followed by a reverse in 2024. Farm income from ELMs is rising rapidly as direct payments decline but ELMs are not intended as a direct substitute for them, either generally or at the individual farm level. Compliance with ELM conditions will generally involve costs for farmers. Farmers are exposed to greater reliance on the market and under more pressure to increase productivity and to diversify. Structural change is expected by Defra as the transition proceeds and unless there are significant increases in productivity on a proportion of farms or they secure new sources of income, their viability is in question. The most vulnerable farms are those in the uplands, on poorer soils, and in more extensive livestock production which are most dependent on direct payments for their income.

Building capacity for change

There have been significant investments in capacity in several areas, for example in Defra staff numbers, IT systems, expenditure on research, modelling and pilots. In other areas there have been gaps, for example in building the extended data sets and models required to target voluntary schemes on demanding quantitative targets. Higher tier schemes have been held back by capacity constraints and the enforcement of environmental regulations has suffered from limited resources in Defra's key agencies the Environment Agency and Natural England. Greater resources for monitoring and evaluation also could make an impact.

Putting sufficient capacity in public bodies in place to run and develop the FCP along the lines proposed should be seen as a priority. There will be tensions with the aim of reducing administrative costs but the case for investment in capacity needs to be spelled out clearly. This is a widespread challenge with respect to the development of agricultural policy and by no means confined to England or the UK.

Looking ahead

Helpful foundations have been laid for going forward. A large part of the planned transition in agricultural policy has now taken place and Defra has shouldered extensive new responsibilities. A significant change in the objectives and mechanisms of agricultural policy to focus more on environmental objectives has been brought about without any significant adverse effects on food supply being apparent at this stage. There is scope for considerable further development of the ELM schemes which increasingly are familiar to farmers.

Nonetheless, there remain considerable challenges, including a lack of confidence about the future in many parts of the farming community, which is clearly a concern. There are several reasons for this, some associated with policy change, including trade agreements as well as the removal of Direct Payments. However, much of the criticism of ELMs as a policy instrument has not been over the core elements of the programme but more focused on the level of uncertainty that has arisen from the test and learn approach. This period of change and upheaval is not over.

However, standing back from this, initial experience of the transition demonstrates that a change in agricultural policy towards a public goods approach while phasing out direct payments can be put into practice, even without other trading partners following suite. While it is early days to assess results – and recent commodity price levels have played a significant part in this – some of the early fears, such as a collapse in farm incomes and land prices have not been realised and change is gathering momentum.

There are substantive concerns about the sufficiency of the budget, the balance within it and the role of regulation but there is little sense that an alternative approach to the agriculture transition pathway as a whole is either needed or likely to be adopted by the new Government. This is no small achievement. There are undoubtedly lessons to be learned about both strategy and detail and these are worth the attention of a wider international audience.

Further research

Some recommendations for further research are made at the end of the conclusions.

1 INTRODUCTION

The United Kingdom of Great Britain and Northern Ireland's decision to leave the EU has provided the chance to develop a nationally determined and more environmentally oriented agricultural and land use policy outside the rules of the Common Agricultural Policy (CAP), which had been much criticised by politicians and others in the UK. It is now six years after the then Environment and Food Secretary of State, Michael Gove, presented his first proposals for rewarding farmers and landowners for delivering a 'Public Money for Public Goods' approach and making it the heart of a new agricultural policy in England. Therefore, it is of interest to take stock of where the policy stands, how it is being delivered and how the balance between maintaining food production whilst protecting and improving the environment has been calibrated.

Agricultural policy is a devolved responsibility within the UK, with significant differences between the policies in place or being developed in the four nations. This report thus begins with a short overview of policy development in the four nations, before focusing most of the attention on post-2018 policy in England as the main subject in the following chapters. The reason being that England is where agricultural policy has advanced the most in new directions since 2018, and the policies adopted are conceptually the most different from the Common Agricultural Policy (CAP) – exemplified by the emphasis on flexibility, phasing out of Direct Payments and focus on cutting administrative burdens and red tape. England is also the nation which has the largest area of agricultural land and economically most valuable output. According to **latest statistics from Defra,** of the approximately 111,000 farms over 20 hectares (those responsible for the largest share of production) in the UK in 2023, 62,000 of them were in England; more than Scotland, Wales and Northern Ireland combined.

The scope of this report is positioned to offer an overview of policy in England – rather than a formal evaluation of the topic. It serves to inform a wider, ongoing debate on how to develop policy for agriculture and land management and how farmers can be supported in transitioning to more sustainable forms of agriculture, meeting environmental goals whilst ensuring that their businesses remain viable for food production. Policy in this sphere is continuing to develop and **for reference, it should be noted that the cutoff date for data and information collected in this report was the 31 August 2024**.

1.1 *Developing new approaches in the four UK nations*

A new chapter in the history of agricultural policy in the UK began with the country's departure from the EU and from the Common Agricultural Policy on 31 January 2020. As noted already, although the budget for agricultural policy in the UK is determined centrally by the

Government, policy itself is a devolved competence. Each of the four constituent nations has had the liberty to develop an alternative policy, with new objectives and policy tools. The nations chose to develop their own approaches rather than adopt the same model for the whole of the UK; although some specific regulatory powers are still retained at the UK level, for instance concerning animal health and welfare. Subsequently, the four nations have moved at different speeds to develop distinctive new policies for their own territories and vary in the extent to which they have chosen to depart from the CAP model and in the speed of change.

The three nations other than England have stayed broadly with the CAP model up to now, making some alterations but retaining the system of Direct Payments, at least on an interim basis, rather than moving rapidly to start phasing them out. All have conducted consultation exercises to gather views from the full suite of stakeholders and have engaged closely with farmers. In some cases, as in Scotland, a new vision paper has been published as part of the development process; this proposes a more gradual process of moving away from established measures under the CAP, while retaining many aspects, including an element of coupled support.

The nations have also been developing environmental policy and setting future objectives and targets, notably for climate mitigation and biodiversity. This sphere is also devolved, and the four countries have not followed exactly the same model, although there are common threads. For example, there is an "Environmental Improvement Plan" with several targets impinging on agriculture in England and a similar model has been adopted in Northern Ireland, although it had not yet been published in August 2024.

Progress on both agricultural and environmental policy in Northern Ireland has been impeded by political divisions and the absence of a Government for significant periods. The Assembly was suspended between early 2017 and January 2020 and again between May 2020 and February 2022. This has made it difficult to pass new legislation or adopt forward looking strategies of any political significance.

Key objectives of the four nation's agricultural policies

All four nations have established their own legislation to underpin future agricultural policy and to move away from reliance on the CAP regulations as the legal foundation for making payments to farmers. This legislation spells out key objectives, revealing several similar themes but differences in balance and language.

- In **Scotland**, legal foundations for moving forward were provided by the 2020 Retained EU Law Act. This retained the CAP system of payments for Scottish farmers but empowered Scottish Ministers to amend measures as they saw fit. Subsequently, policy remained broadly as it was under the CAP, including the use of coupled support. In the next stage the vehicle for the new generation of Scottish policies is the Agriculture and Rural Communities (Scotland) Act, which introduces the new Scottish policy framework. This was approved by members of the Scottish Parliament in June 2024 and is now law. In making this announcement, the Government stated that the support provided to the sector under this legislation would help "*farmers and crofters to produce more food more sustainably, supporting their essential role in climate mitigation and nature restoration. It will allow for a framework of payments that is responsive to the sector's needs.*" Further, it will "*drive support for rural communities, the economy, and for land management and the environment*" (**Scottish Government press release**, 18 June 2024).

- **The Agriculture (Wales) Act 2023** takes the necessary step of giving the Welsh Government the powers to apply a national agricultural policy, to amend legislation derived from the EU and to make the required payments to farmers. It also introduces the overall frame which the new policy should follow which is the Sustainable Land Management Framework. This "*incorporates the environmental, economic, cultural and social contribution of farmers in Wales. It is based on an internationally recognised concept so that resources, including soils, water and crops, are used for the production of goods to meet changing human needs in such a way that the needs of the current generation are balanced with our obligations to future generations.*"
- A slightly different process has been adopted in **Northern Ireland**. A consultation in late 2021 led to the announcement of a package of 54 rather specific agricultural policy measures by the then minister Edwin Pooks in March 2022. These were a combination of new initiatives and modifications of existing CAP based policies, for example the replacement of cross-compliance arrangements with a simplified system of Farm Sustainability Standards. The overall approach was summed up by the minister as "*a future agricultural policy that is based on four key outcomes of increased productivity, environmental sustainability, improved resilience and an effective functioning supply chain, alongside measured transition to new schemes.*" (**Daera press release**, 24 March 2024).
- The Agriculture Act 2020 applying principally to **England** (but including elements applying to the whole of the UK and provisions applying to Wales and Northern Ireland prior to the adoption of their own legislation) has a more narrowly cast set of objectives than in the CAP, with a central focus on the provision of environmental services and promotion of animal welfare and is discussed further below in Section 1.2.

Differences at the policy level

The introduction of concrete policies to pursue these objectives is occurring more gradually, with versions of the CAP Direct Payment, known as the Basic Payment Scheme (BPS) in the UK, being retained in all four countries but with replacement policies due to be introduced over the period to 2026. These replacements are not all finalised but outside England, the direction of travel is towards new schemes that embody an element of Direct Payments with greater linkages to environmental requirements and lower annual payments.

In England, Direct Payments are being phased out over seven years. In **Northern Ireland**, they are expected to be replaced by a new Farm Sustainability Transition Payment from 2025 which will have some similar attributes but will involve smaller annual payments and new environmental conditions for beneficiaries.

A new Sustainable Farming Scheme in **Wales** was due to take over the central role of Direct Payments in 2024, but this timetable has been pushed back by a year, following a series of events, including a change both in the First Minister of Wales and in the agricultural minister and a period of high-profile protests by farmers in Cardiff and elsewhere. Work on the scheme and the supporting monitoring and evaluation processes is ongoing. The Government's proposal is to replace the current CAP measures with a comprehensive new Sustainable Farming Scheme starting in 2025.

Direct payments would be phased out over the period 2025-2029 and the new scheme would become a significant source of new income for farmers.[1] Whilst the current plans may change under the new minister the essence of the recent proposals has been that all farmers participating in the SFS would be required to carry out a suite of 'Universal Actions' for which they would receive the 'Universal Baseline Payment'. Voluntary 'Optional' and 'Collaborative' actions would be available on top of this basic payment. All participants would need to comply with some core requirements, the most prominent of which have been those that require that at least 10% of the area of each farm should be managed as habitat and at least 10% should be under tree cover as woodland or individual trees (with hedgerows of sufficient dimensions, widespread in Wales, counting towards this total). These conditions have proved controversial and one focus of a wave of farmer protests over the winter and spring. The Government is looking at the right balance between environmental and farm income considerations as it reviews the position.

In **Scotland**, the Government's intention is to end the current Basic Payment Scheme in 2026 and in 2027 replace it with a new scheme involving four tiers of payment to farmers. Tiers 1 and 2 will be a form of Direct Payments, with a linkage to environmental standards for climate and biodiversity and together will constitute 70% of the overall spend. The two upper tiers, 3 and 4, will be more targeted agri-environmental measures, including tree planting, the creation of wetlands and the restoration of peatland, which is a major priority in Scotland, a territory where there are large areas of degraded peatland. The target is to restore 250,000 hectares by 2030.

In **Northern Ireland**, the transition from the BPS will be to a "Farm Sustainability Payment", with new environmental conditions and a requirement to enrol at least 5 hectares on the holding. A transitional scheme will apply in 2025. Other key measures, further elaborated **here**, will include:

- A new form of coupled support for beef farmers, an important sector in Northern Ireland. This will comprise two elements, the first being the **Beef Carbon Reduction Scheme**, which began in 2024 and the second a **Suckler Cow scheme**. These are intended both to provide economic support to beef producers and to reduce GHG missions, especially from older, non-breeding cattle. There will be incentives to slaughter older cattle at a younger age.

- A new "**Farming for Nature**" package of agri-environment measures. This will focus initially on maintaining, restoring and creating new wildlife habitats as part of an effort to reverse the decline of biodiversity. There will be incentives to improve connectivity between habitats.
  A **Soil Nutrient Health Scheme** which seeks to decrease the impact of agricultural practices on water quality through supporting farmers with their farm nutrient management. The Government plans to allocated £45 million to the scheme.

New environmental objectives

In parallel to agricultural policy, new environmental objectives are being put in place in the four nations. **Scotland** has been following its own pathway, for example not using the Environmental Improvement Plan structure adopted in England and Northern Ireland. Climate policies are important for agriculture, and it is notable that there has been a fierce political controversy over Scotland's own NetZero target date, which was recently moved from 2045 to 2050, a more feasible proposition in the view of the independent Climate Change Commission. Scottish land use and land ownership is distinctive from the rest of the UK in several respects, and this is reflected in both the political debate, for example over land ownership and the greater focus on agriculture as part of a wider land use matrix where different aspects need to be considered alongside farming. There has been a land use strategy in Scotland for some years and this is being reviewed as part of a wider land use plan for the 2020's incorporating a combination of environmental, land use and other measures and targets. The different elements recently were set out schematically by the Government as presented in their **Agricultural Reform Route Map** (with a diagram of plans for schemes in Scotland set out in **Annex One**).

1.2 *The legal framework for England – the Agriculture Act 2020*

In England, the decision to adopt a new policy approach to agriculture came relatively quickly in 2018. It was influenced by actors inside and outside the Government, including the Treasury, then Defra Secretary of State Michael Gove, farming organisations, and by the environmental community which had been arguing for a new "Public Money for Public Goods" principle to drive new policy for many years. These influences and the public goods concept are evident in the design of the new legal foundation and objectives for agricultural policy that emerged in the form of the **Agriculture Act 2020** after an extended parliamentary process of about two years.

The Act has several purposes, amongst the most notable of which are:

- It establishes the legal foundations for future agriculture policy outside the CAP, providing ministers with enabling powers to introduce and fund support schemes for farmers and land managers in England in pursuit of a new set of objectives specified in the Act.
- It also provides ministers with powers to intervene in agricultural markets in exceptional conditions, for example through private storage schemes, public intervention or special aid for farmers.

- It aims to increase both fairness and transparency in the food chain by various measures including fair dealing obligations on businesses that purchase agricultural products from farmers and bringing in new data collection and sharing requirements as well as special provisions for producer organisations.
- It introduces some new obligations on ministers relating to food supply, including a requirement that they consider the need to encourage the production of food in England in an environmentally sustainable way and report every five years on food security.
- There are also financial and administrative provisions. Ministers must set out multi-annual plans about how they will use their financial assistance powers, usually of a 5-year duration. The first plan started in 2021 and, exceptionally, will run for seven years.
- Whilst concerned primarily with England, it includes some regulatory measures that apply throughout the UK, as they are classed as "reserved" matters, including those concerned with fairness for farmers, food security and ensuring that the UK complies with WTO rules under the Agreement on Agriculture.
- There are also some provisions that cover agricultural policy in Wales, for example empowering alterations in Direct Payments rules but these were envisaged to apply only until superseded by Welsh legislation. Separately, there is a Schedule concerned only with Northern Ireland that provides powers to develop new schemes in due time.

The Agriculture Act 2020 does not lay out a set of formal objectives for the policy comparable to those laid down for the CAP in the original Treaty of Rome and those developed since. Rather, it follows other legislation in the UK in empowering ministers to undertake various actions, including using public money for certain purposes, giving them considerable discretion to adopt the necessary policies to exercise these powers. The Act requires the Government to report on how the funds deployed under the Act have been spent, discussed further in the following chapters. However, the requirements are relatively simple and broadly framed, not setting detailed rules. Consequently, Government ministers in England and elsewhere in the UK acquired much greater freedom to design, fund and implement new policies than they had within the CAP, introducing a new national political dimension to agricultural policy which is notably different to the governance and political dynamics bearing on the CAP.

Another consequence of this national framework is that the distinctions between competence for agriculture and forestry which are a consideration at EU level (for example bearing on how far forest measures are incorporated within the CAP), do not apply. References to land management as a broad frame arise more often in the UK and need to be understood in this context.

Section 1 of the Act (mostly reproduced in **Annex Two**) provides an exhaustive list of policy objectives. In essence, these are:

- The provision of environmental services, including for public access to land.
- The promotion of animal health and welfare.
- Increasing agricultural productivity.
- Having regard to "the need to encourage the production of food by producers in England and its production by them in an environmentally sustainable way".

The Act broadly identifies which environmental issues are in the frame for support, for instance soil management, but many topics fall within the scope of a generic clause referring to the management of soil and water in a way that protects or improves the environment. As such, there are no detailed environmental objectives or requirements to reach specific targets in the Act.

It is notable that the support of farm incomes is not on the list of purposes and the only producer group eligible for aid is that for fruit and vegetable production, a relic from the CAP. Generally, there is limited concern with socio-economic interests compared with the CAP although there is a specific chapter on "*Fair dealing with agricultural producers and others in the supply chain*."

Section 4 of the Act is specific in so far as it establishes an 'Agricultural Transition Period' extending from 2021 to 2027 which involves the phased reduction of Direct Payments to farmers.[2]

1.3 *Environmental objectives of relevance to agriculture*

In the same way that agriculture policy has developed in England, and other parts of the UK, since Brexit, so too has environmental and climate policy. The vast majority of environmental legislation of relevance to agriculture and land management in the UK remains as it was before Brexit and is similar to that in EU Member States. However, there have been some changes and additions to legislation and policy, and a series of more strategic plans have been adopted which require action in the realm of rural land management, including agriculture, forestry and more natural habitats. These plans set an increasing number of quantitative targets, some of which are legally binding.

Strategic environmental plans and measures of particular relevance to agriculture and rural land management in England are:

- The **25 Year Environment Plan (25YEP)**, adopted in 2018, with the goal of enhancing the UK's, and particularly England's, environment and natural resources – including the delivery of cleaner air and water, and improved biodiversity and ecosystems.
- The **Environment Act 2021**, also predominantly for England, which amongst other things provides a new governance framework for realising environmental goals and requires the setting of binding long term statutory targets.

- The five-year **Environmental Improvement Plan** (EIP), published in 2023, which is the current manifestation of a new cycle of such five-year plans built on the Environment Act. It includes several new targets and a more concrete delivery plan for meeting biodiversity objectives – seen as a central element in the overall success of the plan.
- The Government's Net Zero delivery plan: **Powering up Britain: Net Zero Growth Plan** published in 2023, and the **Carbon Budget Delivery Plan** published in the same year. These plans do not set a target for the exact contribution that agriculture and land use are to contribute to the overall effort required to meet GHG emission reduction targets or to carbon capture. However, they do offer projections of the scale of effort likely to be needed and sit alongside concrete targets for tree planting and peatland restoration. The Government's statutory advisor on climate policy, the Climate Change Committee, is urging more ambitious pathways and targets for agriculture, land use and changes in dietary patterns in its regular reports.

Key targets emerging from these plans, especially the January 2023 **Environmental Improvement Plan**, cover (amongst other things) biodiversity, tree planting, peatland restoration, an increased area of soil under sustainable management, and lower levels of nutrient pollution. A selection of key timebound targets are presented in **Table 1**.

It is clear that several of these targets can only be met by significant changes in practice in the agriculture, forestry and land use sector, and that an increased pace of change will be needed to meet early targets arising in 2028 and 2030, irrespective of longer-term action. This has given increasing urgency to the question of how the evolving suite of environmentally focused support schemes currently being offered to farmers and land managers can be relied on to make the necessary contribution to the targets. They represent the most urgent expression of demand for environmental services.

1.4 *Food policy*

Food production per se and food security are covered by the Agriculture Act in England, but it contains relatively limited provisions on this topic. The Government has demonstrated less concern about food production and agriculture's position as an exceptional economic sector than its counterparts in the EU and has shown less inclination to give high priority to the production element of food security. However, Defra ministers have put more emphasis on the importance of maintaining food production and the role of ELMs in contributing to it over the last two years or so and former Prime Minister Sunak announced a new "**Blueprint for Growing the UK Fruit and Vegetable Sector**" in May 2024. The essential orientation of policy towards the provision of environmental and animal welfare public goods remains, however.

Table 1 Key environmental targets related to agriculture and land use in England

Category	Description
Habitat restoration and creation:	Create/restore 140,000 ha of wildlife-rich habitats by 2028 (*interim target**) and 500,000 ha by 2050 (*legally binding*). To also ensure that more than half of key protected sites, many of which are under some form of agricultural management, are in favourable condition by 2050.
Addressing the decline of species abundance (a key biodiversity indicator):	Halt the decline of species by 2030 (*legally binding*). By 2042 to increase species abundance by at least 10% compared to 2030 (*legally binding*), and also improve the "Red list" index for species extinction by 2042 (*legally binding*).
Extending the area of tree canopy and woodland cover, most of which will need to occur on existing farmland:	There is a target of an additional 34,000 ha by 2028 (*interim target*), a goal of halting and reversing forest loss and land degradation by 2030; while the total woodland area should increase to 16.5% of the total land area in the UK by 2050 (*legally binding*), compared with 14.5% today.
Soils targets:	To bring 40% of soils into sustainable management by 2028 and 60% by 2030 (*commitment but not binding*).
Reducing pollution by nutrients (specifically Nitrogen, Phosphorus and sediments):	10% reduction by 2028 from a 2018 baseline (interim target) with 15% in catchments with protected areas, and 40% by 2038 (legally binding). Additional objectives set in River Basin Management Plans also apply.
Peatland restoration:	Restore 35,000ha by 2025 under a dedicated scheme and 280,000ha by 2050 (*commitment but not binding*).

* Interim targets are not legally binding

For a full description of all environmental targets see **Environmental Improvement Plan annual progress report**

This has been criticised by various parties, including the National Farmers Union, NFU and there have been calls for a separate food policy which would address production as well as other aspects of the food system more widely. Indeed, the limited focus on food production was a significant issue in the parliamentary debate over the Agriculture Act, leading to the insertion of the food security reporting provisions noted above, but not to major alterations to the objectives or provisions of the Act.

On the food consumption side of the equation, policy has changed little in England since 2018, attracting considerable criticism from stakeholders, including those focusing on dietary health. An independent review was commissioned by Michael Gove from a prominent food industry figure, Henry Dimbleby. The 2020 report included eight immediate and further reaching proposals, including some that impinged on agricultural production, trade, future land use in the UK, and steps to achieve sustainability. However, the response from the Government was a much more cautious approach rejecting most of the changes proposed.

The corresponding Government Food Strategy, which did not appear until June 2022, set out a number of broadly framed objectives but proposed few measures, relying on a more laissez faire approach. These included the delivery of a prosperous agri-food and seafood sector that ensures a secure food supply, a sustainable, nature-positive affordable food system and trade providing both export opportunities and consumer choice through imports without compromising regulatory standards. To achieve these objectives the aim is to "broadly maintain the current level of food we produce domestically" while taking advantage of post Brexit opportunities for export where sustainable. Progress against these goals will be monitored and reported on regularly.

This level of domestic production corresponds to about 75% of the food that can be produced in the UK or approximately 60% of overall domestic food consumption. In effect the current legislation means that production goal needs to be reconciled to the environmental objectives noted above.

With a new Labour Government having taken office, priorities in this area of policy may change and food security may become a more prominent concern, but it is early to judge.

1.5 Structure of this report

The remainder of this report is concerned with England and the policies in place to fulfil the objectives of the current legislation, with a particular focus on the emergence and delivery of a new generation of agri-environmental schemes, which constitute one of the most significant changes in approach since 2018.

Chapter 2 provides an overview of the relevant parts of agricultural policy in England, which now fall within the Farming and Countryside Programme (FCP), delivered by the Department for the Environment, Food and Rural Affairs (Defra), including a summary of expenditure.

Chapter 3 provides a more detailed profile of the range of individual schemes now in place, with particular attention to the new generation of Environmental Land Management schemes.

This is followed, in **Chapter 4**, by an outline of how the system for implementing the schemes and delivering them at farm level works and some of the issues arising.

The arrangements for setting objectives, monitoring and evaluating schemes are summarised in **Chapter 5**, with some discussion of the wider effort to monitor environmental change in rural areas.

Scheme uptake and impact is addressed in **Chapter 6**, considering initial financial, environmental and socio-economic impacts – as far as information allows.

Conclusions follow in **Chapter 7**.

Annexes and **References** appear at the end of the report. This is accompanied by **Glossary**, clarifying certain terminology which might be unfamiliar to readers.

2 THE FARMING AND COUNTRYSIDE PROGRAMME AND RELATED AGRICULTURAL POLICY DEVELOPMENTS SINCE 2018

This chapter outlines the development of agriculture policy in England since Brexit, particularly the progression towards agriculture schemes embodying a Public Money for Public Goods approach. The early steps are summarised in Section 2.1. They led to the emergence of what came to be termed the Farming and Countryside Programme (FCP), sketched out in Section 2.2. Within this programme can be distinguished both separate budgetary allocations and three key "thematic buckets". These are discussed in Section 2.3, with reference to data on expenditure on different groups of measures in recent years.

2.1 *Policy development after Brexit – Transition away from the CAP*

Brexit presented an opportunity for the UK and its four constituent nations to move away from the EU's Common Agricultural Policy (the CAP) and design a new set of agricultural policies. The CAP and its budgetary cost had been a political issue in the UK for many years, with a range of commentators calling for change, advocating *inter alia* agricultural policies that were more economically efficient, while producing more benefits for the environment. There had been long standing criticism of Direct Payments as unjustifiable and regressive in several parts of Government, including the Treasury, as well as amongst a variety of stakeholders. Advocates for the case of focusing future support primarily on public goods ultimately won support from Defra Secretary of State, Michael Gove, who occupied this position from 2017 to 2019.

In 2018, a consultation paper entitled **Health and Harmony: the future of food, farming and the environment in a Green Brexit** was released by Defra, in which plans for moving in steps away from certain CAP policies were laid out. These included the phasing out of Direct Payments in favour of a Public Money for Public Goods approach focusing mainly on the supply of environmental services. This proposed new approach meant paying farmers directly for delivering environmental benefits as well as supporting increasing productivity and market adjustment on farms in England. There was also an emphasis on lifting the administrative load on farmers, seen as stemming mainly from the rules embodied in the CAP, and reducing what was seen as the bureaucratic and prescriptive nature of many past schemes.[3]

The sizeable and largely favourable response by stakeholders[4] provided the Government with considerable support to lay first the legal and then the policy foundations for the new approach. After some delay, due partly to a long parliamentary process, the necessary powers for the Government were provided by the Agriculture Act 2020 which followed the consultation. This is the legal foundation for the new generation of support schemes in England. The Act provides specifically for the phased removal of Direct Payments and gives ministers extensive powers to introduce new agricultural policies, both to provide support for farmers and land managers and to intervene in markets if required.

Consequently, by the end of 2020, the foundations for a new policy were in place which commenced from 2021. The first step framing the way forward was published in November 2020 and was entitled the **Agriculture Transition Plan**. This plan looked ahead to 2027 and indicated the steps by which Direct Payments would be phased out, initially being reduced by 15% a year, with accompanying changes, such as the removal of the "greening" rules, which had been introduced in the previous CAP. It also established a timeframe for bringing in a new generation of agri-environmental policies – particularly the Environmental Land Management schemes (ELMs), which would act as the core of the agri-environmental policies post-Brexit. These ELM schemes subsequently were developed and built up in the years 2021 to 2024, with some use of pilot schemes, aiming to put in place a settled package of support schemes by 2024/2025. These are now largely in place with the most recent change being initiated in summer 2024 but not yet fully operationalised.

The ELM schemes were conceived as offering three tiers, starting with the foundational "Sustainable Farming Incentive" (SFI), and then a middle tier to replace the existing Countryside Stewardship scheme, to be known as "Local Nature Recovery". The most environmentally ambitious and targeted upper tier, the 'Landscape Recovery' scheme, was to support locally selected projects involving more extensive changes in land use and management and requiring collaboration by land managers on a landscape scale. Subsequently there have been some changes in this architecture of schemes, primarily in the middle tier, but the essential structure has been retained and is seen as the model for the future.

The two lower tier schemes, especially the SFI, were designed by Defra to constitute the largest scale and most accessible schemes for farmers in the new architecture, expected to grow over time as Direct Payments diminished. While not being a direct substitute for Direct Payments, they would grow to be on a comparable scale in terms of expenditure, with a majority of farmers participating. These farmers and other land managers willing to take on new environmental obligations, significantly beyond those attached to Direct Payments under the CAP, would be able to access a substantive new income stream, rather than needing to rely on the market alone. The aim of these schemes is to increase the flow of environmental services if a wide uptake could be achieved. At the same time, it was anticipated that there would be an increase in agricultural productivity, contributing to the economic viability of farms adjusting to the loss of Direct Payments.

The Agriculture Transition Plan, covering a four-year period from January 2021, is explicit in stating that money saved from the ending of Direct Payments will be used to support agriculture in different ways, indicating that farmers will be the beneficiaries. In this context "farmers" are defined as the full spectrum of farmers, tenants, landowners, land managers, growers and foresters.[5] It is not necessary to be a farmer to participate in schemes but in practice the beneficiaries are much the same as under the CAP (i.e. those in control of rural land).

2.2 *The Farming and Countryside Programme (FCP)*

The new generation of support policies would be delivered together within the frame of what became known as the Farming and Countryside Programme (FCP) – also known as the Future Farming and Countryside Programme (FFCP) but referred to in this report as the FCP. The FCP was designed to support the new objectives in the Agriculture Act, envisioning a fresh approach that extended to the role of regulation as well as support, advisory and related policies. The programme has three main objectives: improving environmental outcomes; ensuring the economic sustainability of the agriculture sector; and maintaining food production.[6]

In England, the budget for Government agricultural expenditure on the programme is broadly in line with the previous level reached under the CAP[7] and has not risen during a period of considerable inflation. For the current Parliament, it was set at an average of £2.4 billion per annum, anticipating some variations between years. For the year 2022/2023 it was set at £2.333 billion with the actual outturn about 4% less at £2.23 billion,[8] and a similar shortfall in spending was expected for 2023/2024 at the time of writing. This has attracted some criticism, in particular from the National Farmers' Union, for underspend, especially in the context of falling Direct Payments. However, some level of underspend is perhaps not unexpected given the extent of policy change and the growing share of voluntary schemes in the budget. Experience of Pillar II expenditure under the CAP suggests that underspend of budgets set for a given period can be challenging in changing portfolios of schemes. The agricultural budget for the next period has not been set, as is usually the case for domestic expenditure in the UK, introducing a considerable measure of uncertainty about the future, especially for farmers. This is in marked contrast to the seven-year budgetary cycle under the CAP. This annual budget, and allocations within it, might change from 2025 onwards depending on the decisions of the new Labour Government. Contrary to promises made by some other political parties, there were no commitments about the future agricultural budget in the Labour Party manifesto published prior to the July 2024 election. Since the election, plans for the agricultural budget have not been disclosed and no major changes in policy have been signalled. Plans for the farming sector have not had a high profile in the early weeks of the new administration but one of the five new priorities for Defra is "*Supporting farmers to improve food security*".

Prior to this, there had been some expectation in Defra and elsewhere that the current budget is unlikely to be altered very substantially. This has been a source of concern amongst farmers, landowners and environmental bodies, with the leading stakeholder bodies arguing that the current level of agricultural expenditure will not be sufficient to tackle future needs, including the climate and nature crisis.[9]

A recent report commissioned by a group of three environmental NGOs entitled *Scale of Need* estimates that the costs of delivering the environmental targets in England over the next ten years would be around £3.1 billion per annum – compared to the current £2.4 billion allocation. For the UK as a whole, the corresponding figures are £5.9bn per annum, compared to the current agriculture budget of £3.5 billion a year. These estimates are purely for the environmental element of the policy and do not take account of the funding required for productivity growth or the potential incentive needed to change practice.[10]

The Country Landowners Association (CLA) has undertaken their own exercise to estimate in some detail, year by year (presented as a briefing available **here**), the budgetary requirements for a comprehensive set of measures, including productivity schemes and a number of other schemes that are either outside the current budget or would be new. Greater expenditure on woodland expansion to get nearer to the Government's tree planting targets are included for example. This has given rise to a budgetary requirement of £3.2 billion in 2025/2026 rising over time to £3.726 billion by 2029/2030 but with some annual fluctuations. This includes an allowance of 2% per annum for inflation.

While these estimates have been prepared by interested parties, they are backed up with relatively detailed analysis and underline the gap between the present budget, not all of which is being spent in the current year on the FCP, and what is likely to be required if agreed objectives are to be met and farms are to remain viable.

The FCP has been developed in a series of stages, working towards a new overall model, while initially sitting alongside the continuation of earlier policies based on the CAP, including Countryside Stewardship and LEADER for example, as well as Direct Payments. The sequencing of the principal interventions over the period up to 2029, including those carried over from the CAP, is shown in **Figure 1**, from the independent National Audit Office (NAO). It depicts the various schemes with the objective of enhancing the environment, amongst which the ELMs are a critical part, and those aiming at increasing farming productivity and improving animal health and welfare. The schemes depicted in **Figure 1** are coded according to these primary objectives. Individual schemes are described more fully in **Chapter 3**.

Direct payments, whilst diminishing, are still in place and there is border protection for some agricultural commodities, such as beef and poultry, so an element of market price support remains.

The evolutionary development process within the FCP and the extensive engagement with farmers and other stakeholders in what is often described by Defra (but less so by others) as a co-development approach, have been central features of the new approach to agriculture policy outside the CAP. It consciously relies on a level of flexibility that would not have been possible within the seven-year programming process characterising the CAP.

There is a range of environmental objectives for England that the agricultural schemes are intended to help deliver, many set out in the Environment Act 2021, the associated *Environmental Improvement Plan* of January 2023, the 2023 *Plan for Water*, or associated policy documents. While some of the environmental targets are legally binding, others are not. In most cases the agriculture sector is expected to make a contribution to meeting a national objective or target, but the precise size of this contribution is not specified in law. For example, this is the case with respect to the binding target to achieve net zero by 2050. The role of agriculture in contributing to emission reductions is a devolved matter but it is worth noting the national UK Government strategy of 2021 – "**Net Zero Strategy: Build Back Greener**". The said strategy suggests that the scale of emission reductions in the agriculture, forestry and other land use sector is potentially in the range of 17-30% by 2030 and 24-40% by 2035.

Figure 1 Anticipated deployment of the main schemes under the FCP during the Agricultural Transition Period (2021-2028)

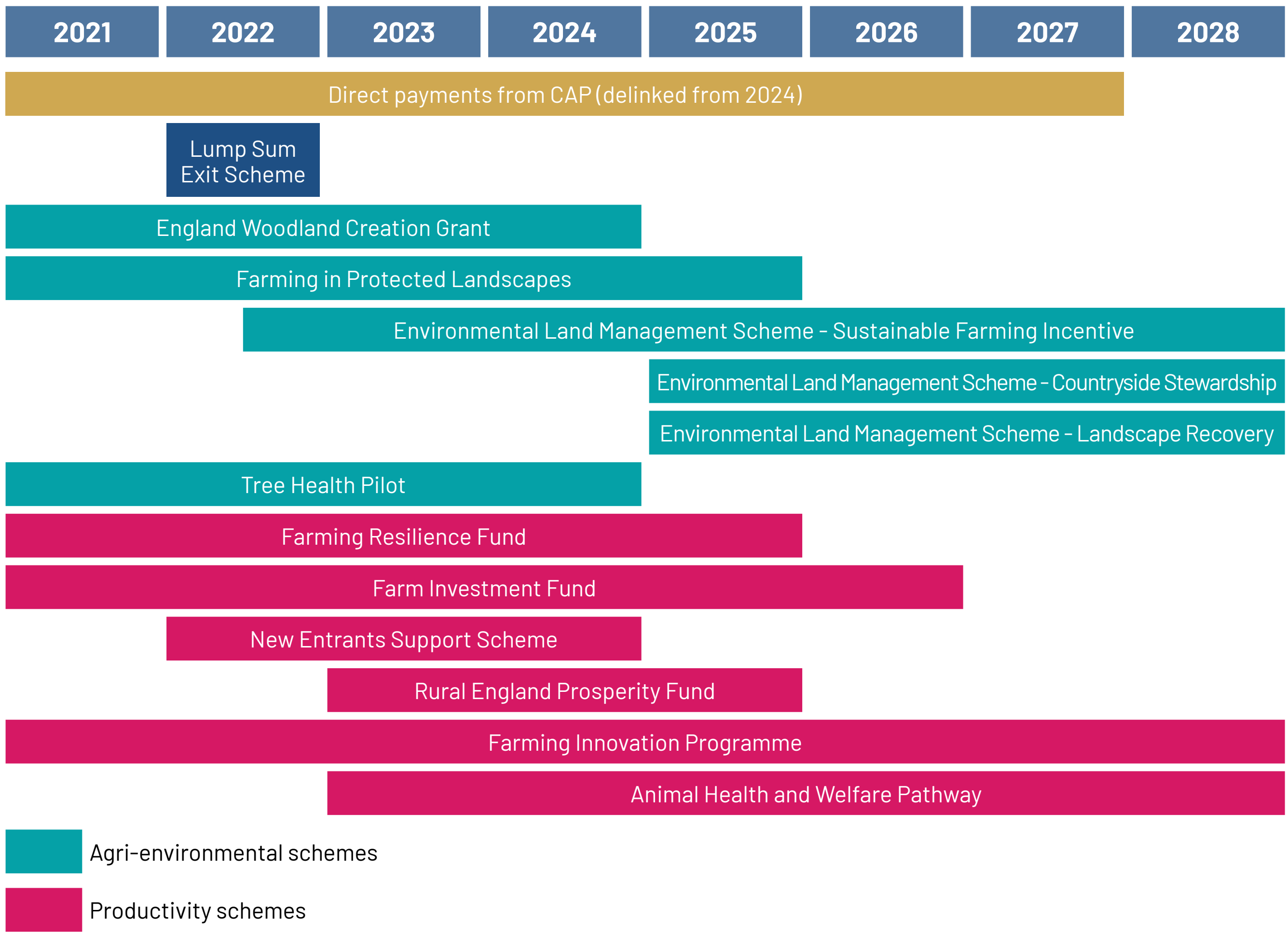


Figure adapted from NAO (2019) [6]

There is increasing pressure to provide quantified targets for the contribution to be made by agriculture to environmental targets and these are being developed within Defra. A fuller account of environmental objectives of particular relevance to agriculture is given in **Chapter 5**.

2.3 *Expenditure under the three thematic strands of the Farming and Countryside Programme*

Schemes under the FCP are a combination of support for ongoing activities on farms, mainly paid annually per hectare on the model of agri-environmental climate measures (AECMs) established throughout the European Union and aid for investment, the provision of advice and other activities of the kind also provided for within the CAP. They also include innovative approaches, such as the Landscape Recovery Scheme. However, the larger scale deployment of less widely used policy models, such as reverse auctions for the supply of environmental services, was considered but ultimately not adopted.

As noted above, the policy ensemble can be divided into two main new categories: 1) Paying for environmental outcomes (such agri-environmental schemes); 2) Paying for farm prosperity (or "Productivity schemes" as represented in **Figure 1**). They, along with Direct Payments, constitute the three "thematic buckets" that make up the FCP budget, which is funded entirely by the UK Government. **Figure 2**, taken from the **NAO**, shows the proportion of the total FCP budget that is allocated to these three categories from 2020/2021 to 2024/2025, with the latter currently an estimate. It also shows the comparison against the estimate with the expectation of the underspend in earlier years being compensated for by a sharp rise in the productivity element in the final year. This appears to be an inflated estimate of current productivity schemes accounted for by Defra including a number of other items outside the FCP in this category. The figure also shows the ongoing shift in the balance of expenditure between buckets, as Direct Payments are phased out over a 7-year period from 2021 to 2027 and the accompanying increase in spending on the other two categories. Defra expects 57% of the annual FCP budget of £2.4 billion in England to be allocated to ELMs by 2024-2025. However, as noted above, this does not mean that payments from the "Environmental, climate and animal welfare outcomes" are straightforward compensation for the loss of Direct Payments.

Figure 2 FCP expenditure from the period 2020/21 to 2024/25, broken down into the three different themes

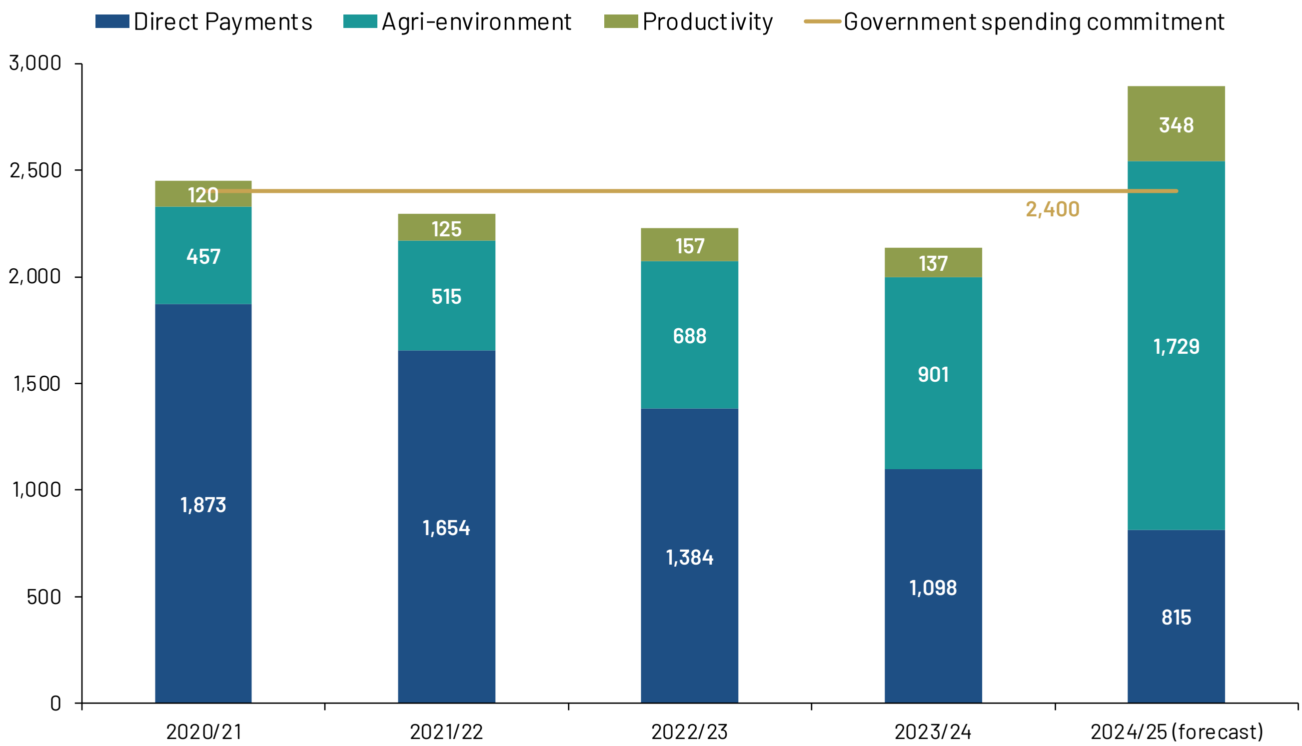


Figure taken from **NAO (2024)**

Table 2 presents a more detailed breakdown of the various schemes within the "Environmental, climate and animal welfare outcomes" and "Improving farm prosperity" strands of the FCP, and the amount spent on each scheme for the three financial years from 2020/21 to 2022/23.

Table 2 Breakdown of FCP expenditure according to schemes from 2020/21 to 2022/23

FCP Schemes	20/21 (£m)	21/22 (£m)	22/23 (£m)
Direct Payments	**1,873**	**1,654**	**1,384**
Countryside Stewardship and Environmental Stewardship	472	458	572
Plant Health	0	0	1
Environmental Land Management - trials and testing	6	3	3
Environnemental Land Management - national pilots	0	0	12
Landscape Recovery	0	0	1
Farming in Protected Landscapes	0	11	20
Nature for Climate Fund	0	0	12
Livestock Information Transformation Programme	11	23	25
Species Survival Fund	0	0	2
Technical Assistance	13	20	40
Total for environmental, climate and animal welfare outcomes	**457**	**515**	**688**
Farming Investment Fund	0	2	35
Institute for Agriculture and Horticulture	0	2	2
Farming Innovation Programme	0	3	15
Farm Resilience	1	5	8
New Entrants	0	0	1
Rural Growth and LEADER	63	75	58
CMO (Common Market Organisation)	56	37	39
Total for improving farm prosperity	**120**	**125**	**158**
Total scheme costs	**2,450**	**2,294**	**2,230**

Source: Defra (2023)[8]

Direct Payments still constitute a significant (albeit decreasing) portion of expenditure, with payment rates to farmers declining to about half their previous level by 2024. Whilst there is a growing proportion of funding going into the environmental and animal health and welfare schemes, this category is dominated by "Countryside Stewardship and Environmental Stewardship" during this period, whist the SFI was still at the developmental stage. The position has changed since and the most recent data, published by the NAO shows the breakdown between agri-environment schemes in 2024/2025 (see **Annex Four**). There was no immediate major increase in environmental scheme expenditure after 2020/21, as there were uncertainties in the programme, it took time to scale up new schemes and Higher tier Countryside Stewardship did not get high priority.

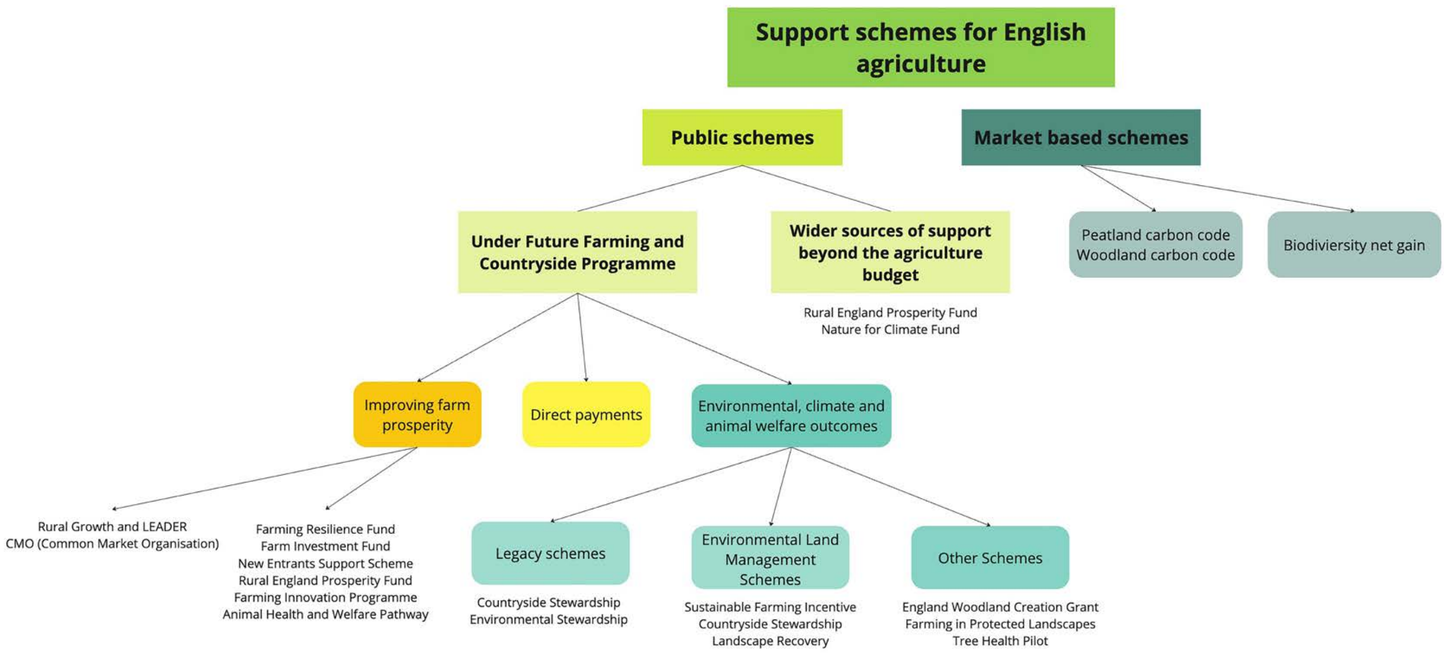
The fastest rate of growth has been in "Technical Assistance" expenditure, perhaps not surprising in a period of significant change. Funding for investment aid schemes within the "Improving Farm Prosperity" category has expanded considerably but from a low base, while there has been much less change in the budgets for rural development measures and a more pronounced decline in Common Market Organisation (CMO) expenditure. Expenditure on the main new advice scheme, Farm Resilience, has been notably low, indicative of the surprising lack of priority given to this crucial element of a balanced programme of interventions.

Annex Three presents the FCP outputs for the period of 2021/22 to 2022/23, and as mentioned, **Annex Four** provides a (forecast) breakdown of agri-environment scheme expenditure in 2024/25.

3 ENVIRONMENTAL LAND MANAGEMENT
AND RELATED AGRICULTURE SUPPORT SCHEMES SINCE BREXIT

This chapter provides short descriptions of the publicly funded schemes offering support to the agriculture sector in England in the current period (as of June 2024). The main ones are depicted in Figure 3. The Government aims to increase the role of market-based policy instruments in increasing the flow of environmental services and a brief section at the end of the chapter signposts developments in this area. Certain related funding schemes are not described here but are outlined in Annex Five.

Figure 3 Outline structure of the main agricultural support schemes currently operating in England and related market-based initiatives



For convenience, the schemes outlined in this chapter have been divided into public schemes and market-based schemes respectively as illustrated in Figure 3. With regards to public schemes, these are categorised into the three "thematic buckets" shown previously in Table 2 (in Chapter 2). Section A details the Direct Payments and the Lump Sum Exit Payments. This is followed by Section B on schemes covering Environmental, Climate and Animal welfare outcomes, focusing particularly on the ELMs, which are the central mechanisms to incentivise farmers to deliver environmental outcomes. Finally, Section C covers the schemes encompassed under the Improving Farming Prosperity theme.

3.1 *Public schemes*

A. Direct Payments

The system of Direct Payments, as designed under the CAP, continues to be offered in England but on a diminishing scale, now without cross-compliance, which was abolished entirely from January 2024. Direct Payments are made according to the area of eligible land. Such payments constituted about 80% of the UK's CAP budget in 2018.[11] The seven-year phase out of Direct Payments began in 2021 and overall, the total spend on Direct Payments was reduced by around 14% from 2021/2022 to 2022/2023 (see **Table 2**) and a further 26.5% the following year, falling significantly further in 2024.

In 2024, the previous system of Direct Payments under the Basic Payment Scheme (BPS) in England was replaced by an altered scheme of completely delinked payments in England. This means that farmers are no longer required to farm the land to receive the payments until the cessation of the Direct Payments regime. From 2024 onwards, each farm's delinked payment will be based on the payments received from 2020 to 2022, but with the amount reduced each year by about 15% of the original payment. However, anyone who has applied for the Lump Sum Exit Scheme (described below) will be ineligible to receive delinked payments.

While the cross-compliance mechanism no longer applies, land managers, including farmers, remain subject to binding legislation concerned with the environment, plant health, animal health and welfare and other matters. If farmers are found to be in breach of the law, they are subject to potential prosecution for example by the Environment Agency. If convicted, they may be fined but will not face any reduction in their delinked payments.

Lump Sum Exit Scheme

The Lump Sum Exit Scheme was created to provide a means for farmers who wish to leave the farming industry or retire not to be inhibited by the loss of a future stream of Direct Payments. This scheme, intended as a one-off, was introduced in 2022 for a limited period and allowed farmers to claim a lump sum in lieu of future Direct Payments. The maximum amount farmers could receive from this scheme was £99,875, with the amount being calculated from their average BPS payment from 2019 to 2021, capped at total of £42,500, and multiplied by 2.35.[12] The deadline for applying to this scheme was September 2022, with a reported 865 applicants – representing a small proportion of all eligible farmers.

B. Schemes with environmental, climate and animal welfare objectives

All the main schemes in this category are outlined below, following an introduction covering more generic issues. Particular attention is afforded to the ELMs given their central role in the new policy architecture.

(1) Environmental Land Management Schemes (ELMs)

Summary of the three schemes

Currently, there are three schemes that make up ELMs. They are summarised here and set out in more detail below:

- The new **Sustainable Faming Incentive (SFI)** is the most accessible and potentially largest scale of the three ELM schemes. The SFI is intended to be the future flagship scheme within the FCP and is non-competitive, with all those with management control of the land in question and registered with the Rural Payments Agency allowed to apply. It is a whole farm scheme with a large and growing number of options in the form of specific "actions". Agreements last for three years, or in some cases five years, depending on the actions selected. Applications are open throughout the year, with most farmers utilising an online process and payments are made quarterly. The timescale for approval has been reduced very considerably. This scheme is intended to offer a reliable longer-term source of income for farmers who meet the conditions. It has developed through a series of somewhat unpredictable iterations, with the most recent additions and alterations, including a significantly wider range of options, and "premium payments" introduced for the most environmentally valuable options in summer 2024 in an "extended offer" version of the SFI.
- **Countryside Stewardship (CS)** is a much longer running and more established agri-environment scheme which has evolved from earlier versions that were in place when the UK was applying the CAP. It covers agricultural land, woodland and habitat restoration on farmland. It is a competitive scheme and combines both multi-annual and capital grant schemes and is more targeted and prescriptive than the SFI. It has several different elements which are summarised below and is undergoing a process of change with the most widely used "mid-tier" strand of generally five-year multi-annual agreements being integrated with the SFI. The more environmentally ambitious Higher Tier strand is more demanding for beneficiaries but critical for meeting biodiversity targets in particular. It has a lower level of take up and has not been applied by Defra on a large scale in recent years. The wide range of capital grants that form part of CS complements the revenue payments and can be applied for separately. They cover water quality, air quality, hedges and other boundaries, trees and orchards, historic buildings, the establishment and management of woodland and support for farm level cooperation and facilitation. Taken as a whole, CS is the "middle" tier of ELMs and the largest element in recent years. It will continue to be offered over the longer term in a modified form in place of what had been an intended "Local Nature Recovery" scheme.
- The **Landscape Recovery (LR)** scheme, effectively forming the highest tier of ELMs, is a new scheme at an early stage of implementation. It is designed to fund longer-

term geographically focused projects involving more extensive changes in land use and management, aiming for ecosystem restoration and involving multiple farms and landowners. Examples might include the restoration of peatlands and related ecosystems, the creation and restoration of coastal habitats currently under agricultural management and tree planting on a larger scale than individual farms usually would undertake. It is applied via a competitive process with detailed applications required and limited application windows.

Objectives and cross-cutting issues

In effect, the current ELMs are a suite of three agri-environmental schemes which contain a combination of older elements established before 2021, often known in Defra as 'legacy schemes' (e.g. Countryside Stewardship), together with new ones (e.g. SFI and Landscape Recovery) that rely on the Agriculture Act 2020 for their legal foundation. These voluntary schemes pay farmers to produce public goods above the regulatory baseline. They are in three tiers, with the top tier, Landscape Recovery, being the most ambitious in environmental terms and the most demanding for participants. For the SFI, there is a simple application and approval process while the higher tier schemes (i.e. CS and LR) are competitive and generally agreements are for longer time periods, with more detailed application procedures and technically more sophisticated elements involving greater engagement from Defra and other authorities, such as Natural England. Agreements are either for 3 or 5 years, depending on the actions selected.

All address a suite of environmental objectives, with some variations in emphasis and more targeted measures in the two higher tier schemes. These objectives include biodiversity protection and enhancement, landscape management, climate mitigation and adaptation, reductions in water and air pollution, more sustainable soil management, greater resource efficiency, extended tree cover, protection of the historic environment on farmland and increased public access. This is slightly wider than the comparable objectives under the CAP, including public access for example. The vision in the Agriculture Transition Plan is for a "renewed" agriculture sector by 2028, producing healthy food where farms can be "profitable and economically sustainable without subsidies" while contributing "significantly" to environmental goals.

There is no requirement to be a farmer in order to benefit from a scheme and there is less interest in defining farmers as a particular category than within the CAP. Schemes are open to all those with legitimate rights to enter agreements and ability to deliver the requirements, including tenants as well as environmental charities that own eligible land, such as the National Trust. For example, farmers entering the SFI scheme need to have "management control" of the land over the period of the agreement, allowing tenants with leases of such duration (usually three years) to participate. Generally, those participating are the same type of beneficiaries who enrolled in agri-environment schemes when the UK was within the CAP and the great majority continue to be farmers. However, not surprisingly, enrolling in the new schemes can be less easy for tenant farmers than simply joining the Direct Payments regime and increasing accessibility for tenants has been one of the ongoing challenges for ELM schemes, as discussed further in **Chapter 4**.

Box 1 The development of the SFI model and co-design

The departure from the CAP and adoption of the Agriculture Act meant Defra could start designing these schemes "from a blank piece of paper". The idea was that the development of each scheme would be informed by its own set of pilots, along with the results of a considerable programme of Tests and Trials and a more intensive process of farmer engagement than had occurred in the past – together representing a "co-design" approach that has marked a significant change in the process of agricultural policy making. With SFI in particular, starting on a small scale, engaging frequently with farmers to gauge their main concerns and scaling up while learning from experience has been the model – although subject to the political realities of a high-profile exercise and the views of changing Defra ministers.

A clear priority for Defra throughout the development process has been to try to enhance the user experience and mode of delivery to participants, along with increasing flexibility within SFI in particular, aiming to lower barriers to enrolment and increase uptake. For example, this appears a key reason for combining the application process for SFI and the new Countryside Stewardship (CS) Mid-Tier in 2024, with the streamlining process aiming for a simpler application process for farmers. Reducing barriers to entry in ELM schemes, especially the SFI, has been a central theme in the co-design process, reflecting the influence of the farming community. A common theme of critics is that the development of ELMs in the early stages moved too quickly with a lack of adequate preparation and too much concern to bring forward a new proposition to balance other changes before the new measure was completely ready. This was further evident in the earlier-than-planned roll out of SFI 2022 on a national scale, in order to provide an avenue for farmers to alleviate the income loss from Direct Payment cuts. However, this model was changed drastically after only one year, adding to a sense of uncertainty amongst many farmers and an expectation amongst some that it might be better to defer enrolment for the moment in the anticipation that more attractive options might be on the table in future iterations of the scheme.

Nonetheless, farming stakeholders interviewed for this study seemed more confident that the current model was likely to prove more enduring following further changes in summer 2024, and farming bodies expected members to need to come to terms with a scheme of this kind over the next decade or so. Some, however, expressed anxiety as to whether Defra would be able to meet the summer deadline to allow the next round of enrolments to begin.[13]

Defra has needed to take account of a growing body of environmental targets being agreed as time has gone on. It has engaged with environmental NGOs and interests in devising schemes but has been less responsive to their views on the need for more ambitious and demanding schemes to meet the spectrum of environmental objectives. Consultation clearly influenced the design of the Landscape Recovery scheme, but the priority accorded to higher tier schemes has been less than sufficient in the view of environmental stakeholders, including NGOs and the independent Office for Environmental Protection advocated than most environmental interests.

Division of the budget between ELM schemes

As the ELM schemes were put into place the initial assumption was that the budget available for them would be evenly split "across three main tiers of policy by 2028, covering respectively "farm-level, locally tailored, and landscape-scale investment",[14] implying a major expansion in the more environmentally ambitious landscape scale measures. However, this aspiration has receded over the last two years and in practice the growth in the budget is clearly favouring the SFI, whilst Landscape Recovery commands a relatively small budget. Defra has no formal commitment to making any particular division of the budget in the future. There is a clear danger that the growth in the SFI will squeeze out the funding available for the higher tier schemes which are more demanding and costly to administer but central to meeting statutory environmental targets. As Defra has underspent the FCP budget over the last three years it is now utilising the funds available to allocate resources to projects outside the FCP, such as aid for local flood defence and drainage schemes. The opportunity to build up capacity to deliver more under the higher tier schemes has not been taken.

Basis of payment in ELM schemes: profit foregone

Payments offered in all current agri-environment schemes are in principle determined on the basis of compensating for profit foregone and costs incurred, as with equivalent schemes under the CAP. They are not coupled to Direct Payments. The exact way in which payment rates are calculated for the successive schemes is not disclosed; both the NFU and Parliamentary committees have criticised a lack of clarity and transparency in this regard from time to time. Outside the CAP, Defra has no need to consult an external authority such as the European Commission and has the flexibility to change payment rates when it wishes, including for the purposes of accounting for inflation (a significant factor in recent years), provided it has consent within Government, particularly from the Treasury. This is a source of useful flexibility and a simpler procedure than that required of EU Member States seeking to modify their CAP Strategic Plans (CSPs). Many stakeholders interviewed felt that Defra had been more prepared to raise payment levels than in the past when seeking a higher rate of uptake by farmers and also to account for a broader range of costs. It was striking that a "management payment" element was introduced into the SFI in 2023 to account for transaction costs and potentially make the scheme more attractive for smaller farmers (see fuller description of the SFI below). A significant increase in payment rates for selected SFI options, as reflected in the **Expanded Offer**, was introduced in January 2024 following feedback from both farmers and environmental stakeholders.

Defra affirms that it does need to take account of desired levels of uptake in setting payment rates and listens to feedback from farmers. However, it insists that it is not wavering from the profit foregone principle and sees no conflict with WTO Green Box rules (like other members, the UK notifies the WTO of its schemes on an annual basis in the format required by the WTO Agreement on Agriculture (AoA)). Reports are submitted annually), at least for the moment. In addition, Defra plans to implement a cycle of reviews starting in 2025, where actions and payment levels in SFI are reviewed over a rolling 3-year period.

Applying the ELM schemes in combination

The Government increasingly has stressed the flexibility of the ELM schemes in offering a "pick and mix" approach of options, allowing farmers to choose elements from different schemes where these are compatible and double payment is not involved. The schemes have been designed to operate together and farmers can access them at the same time although the complexities and practicalities of doing so can be considerable as farming representatives point out. The intention is to have a single online portal to facilitate participation in ELM schemes as a whole, although more detailed requirements will remain for higher tier schemes. Currently farmers can have SFI and CS agreements simultaneously if their actions are compatible but will not be paid twice for the same action.[15] The **same rule applies for Landscape Recovery**, whereby land under an SFI agreement can also be entered into LR if eligibility and compatibility requirements are met – but the same action will not be paid twice.

The new ELM schemes work alongside the legacy Countryside Stewardship and Environmental Stewardship schemes[16] (the former being more parcel based and the latter being whole farm). Defra plans to phase out the legacy schemes and transition participants in them across to the ELMs (including the new CS). From the start of 2023, farmers with existing legacy scheme have had the option of leaving their agreement without penalty if they are offered a place in a new scheme.[16]

The more integrated approach to the design and operation of schemes has clear advantages since they have different roles, and it is helpful for shorter- and longer-term agreements to complement one another in a coordinated way for example. However, stability in scheme design and operation is required to make this model work well and the roles of the different schemes need to be balanced. Defra is not yet at this point. There have been periods when the higher Tier of CS has not been open to applications at all and the limited priority it has received relative to SFI has resulted in it being underweight in the spectrum of interventions, as has Landscape Recovery which has received only a small share of the budget. The dominance of SFI, a scheme that currently has rather a limited element of targeting, means that the share of more targeted measures within the overall effort is too low, particularly given the quantified targets that Defra needs to meet (see **Chapter 5**).

The following sections offer more detailed profiles of the individual schemes now in place within the remit of Defra and its partners.

1 (a) The Sustainable Farming Incentive (SFI) in greater detail:

The SFI applies to a very wide range of land under agricultural management, namely arable (including temporary grassland), permanent grassland, permanent crops and moorland. It provides payments to farmers and land managers who adopt or maintain sustainable land management practices that benefit the environment. It is expanding rapidly following an initial pilot phase and what became an experimental year in 2022 (see **Box 2**). It is the easiest ELM scheme to enter, has the largest reach in terms of area of land enrolled, and a correspondingly large budget. Participation is non-competitive. Initially all farmers who were eligible for the Basic Payment Scheme (BPS) were allowed to apply. However, this requirement will cease from 2024, so that new entrants can join. This scheme is intended to include a sufficiently wide range of options to allow most farmers to participate and, once it is in its final form, to remain stable in future years and so to offer a reliable source of income for farmers and other participating land managers. Enrolment targets are discussed further in **Chapter 6**, but Defra currently aims to have around 70% of farmers signed up for the scheme by 2028. Whilst the primary goals are environmental, the actions are chosen to support food production at around the present level and also improve productivity (see **Defra announcement of SFI 2024**). There is a Defra commitment to support farmers to produce about 60% of food consumed in England.

The current (2023/2024) SFI scheme

The 2023 SFI scheme was a departure from the previous iterations, with a shift towards payment for individual "actions" as opposed to the "standards" used in SFI 2022 and pilot.[17] This freed farmers from having to sign up to sets of linked actions and made the scheme extremely flexible for participants. The option to choose different levels of commitment also was removed. The 2023 iteration of SFI was the current scheme at the time of writing but closed to participants on 10 June 2024.

The **new 2024 "expanded offer"** version of the scheme was confirmed at the end of May 2024 and became open to applicants later in the summer. The central design feature remains that participants are able to select from a large and growing selection of "pick and mix" actions. Participants can select the number of actions they would like to undertake over the length of the agreement and have the option of adding more actions and land to their SFI agreement each year, with no minimum or maximum area required to enrol. Most agreements are for 3 years but some extend over 5 years if they include actions which require this. As of July 2024, there were **23,200 agreements** under SFI 2023, extending over more than 2 million hectares, with more in the pipeline. About 20,000 applications had been received by summer 2024.

Box 2 The origins of the SFI – Pilot and 2022 prototype

The SFI has undergone several iterations on an annual basis, starting with the initial pilot in 2021. This began in October of that year, with an initial 850 farmers being involved[12] in 3-year agreements. Additional participants were subsequently enrolled to the pilot over time, eventually totalling 3,500. At this stage of the process, the pilots were intended to inform how the SFI would work in practice, with Defra seeing this as central to the "co-design" process. Participants in the pilot had the option of selecting from eight standards[13] (refer **here** for full list of standards and payment rates).

A significantly different prototype version of the SFI, virtually a reboot from its predecessor, was then rolled out to all farmers in June 2022 but with the length of agreements remaining at three years. This version consisted of only three core standards, namely, Arable and Horticultural Soils, Improved Grassland Soils and Moorland, with each having two levels of commitment: introductory and intermediate, with the payment rates adjusted accordingly (refer **here** for full list of payment rates).

This model of two levels was not carried forward into the more developed 2023 SFI, with the actions involved being split into separate elements,[14] resulting in some actions being removed. For instance, certain actions in the soil standards in SFI 2022 were not on offer in the 2023 version,[15] given that they only work when undertaken together but not when separated out in the "pick and mix" approach that the 2023 version of the SFI embodies.

As of 6 June 2024, there were 3,200 agreements under SFI 2022.

There are two broad categories of actions under the current SFI scheme. The great majority are "management actions" that require farmers to adopt a certain practice for the period of the agreement. In addition, there are four "planning actions" that involve a one-off obligation to draw up a plan for the farm as a whole covering a specific theme. One is a soil assessment plan, others involve planning nutrient management, planning to use integrated pest management (with help from a qualified expert) and making a plan for moorland under agricultural management on the basis of a prior assessment. These plans are popular with participants in SFI 2023, 83% of whom have signed up to at least one of them. Payments are seen as relatively attractive and there is not an obligation actually to implement the plan although this is encouraged, and they are seen by Defra as a stepping stone to encourage farmers to adopt more ambitious actions and wider systems over time.

At a thematic level, actions are divided into 9 different groups that can be undertaken under SFI 2023.[18] These categories, along with examples of actions offered under each are shown in **Table 3**.

Farmers can combine a significant number of different actions to build up their portfolio within the SFI and the expectation is that they may utilise more actions in future as the menu grows and the decline of BPS strengthens the incentive to enrol. There are obligatory requirements for each action but generally these are kept to a minimum, leaving farmers to achieve the required outcomes by means they think best, and it is not compulsory to follow the guidance provided.

Table 3 Categories of Actions that could be adopted by participants under SFI 2023 (since enlarged under SFI 2024)

Categories under SFI	*Examples of actions that can be done under this category*
Actions for soils	SAM3 – Herbal leys (£382 per ha)
Actions for moorland	MOR1 – Assess moorland and produce written record (£10.60 per ha and additional payment of £272 per agreement)
Actions for hedgerows	HRW2 – Manage hedgerows (£13 per 100m – one side)
Actions for integrated pest management	IPM2 – Flower-rich grass margins, blocks or in-field strips (£798 per ha)
Actions for nutrient management	NUM3 – Legume fallow (£593 per ha)
Actions for farmland wildlife on arable and horticultural land	AHL2 – Winter bird food on arable and horticultural land (£853 per ha)
Actions for farmland wildlife on improved grassland	IGL1 – Take improved grassland field corners or blocks out of management (£333 per ha)
Actions for buffer strips	AHL4 – 4m to 12m grass buffer strip on arable and horticultural land (£515 per ha)
Actions for low input grassland	LIG1 – Manage grassland with very low nutrient inputs (outside Severely Disadvantaged Areas)

The SFI 2023 package included an additional element in the form of a "management payment". This was intended to offset the transaction costs of entering the SFI and to alleviate the disproportionate costs that smaller farms face when preparing for and participating in an agreement, compared to larger farms. In the first year of a new agreement, participants received a payment of £40 per hectare for up to the first 50 hectares of land enrolled, amounting to a maximum of £2,000 for each farm business. In the second and third years, the payment fell to £20 per hectare. This was regarded by some as the beginning of a departure from a public goods approach and on the edge of what might easily defended under WTO rules, while many others have seen it as an admirably simple way of addressing transaction costs and their disproportionate impact on smaller farms.

Currently, payments for capital items are not available through SFI, but it is possible to access one-off payments to purchase capital items and equipment from offers such as the Farming Investment Fund or the Capital Grants Scheme, as discussed further in the section below under Countryside Stewardship.

In March 2024, well into the first year of the schemes and following a period of very wet weather, Defra announced a significant modification of the scheme by the introduction of a cap on the proportion of land on any one farm that can be enrolled in a list of actions that do not involve any food production, some of which were becoming popular. Examples include the establishment of flower-rich grass margins or winter bird food on arable or horticultural land. SFI applications submitted on or after 26 March 2024 may not involve the enrolment of more than 25% of the total farmed area in 10 such "limited area" actions and this list of actions subject to farm level limits may be extended.[19] This restriction was in response to concerns over potential declines in food production and security, as certain actions such as the one involving the sowing of winter bird food, were proving popular amongst farmers given relatively generous payment levels and poor crop conditions over the winter and spring of 2024. This resulted in higher than expected take up rates for these actions and a number of whole farms being enrolled in actions intended originally for limited areas only. This change is seen as a course correction by Defra, not a major alteration of the scheme, and an example of where great flexibility for farmers can create conditions within which unintended consequences can arise. Further limits to the current level of flexibility in future would not be unexpected and the area limitation may be applied to a further four actions that currently are on a watch list.

Both higher levels of participation and the adoption of more ambitious and more targeted measures over time are required to meet Defra's environmental targets, with the SFI having a key role as the most accessible and potentially most popular scheme. Steps have been taken towards a more targeted approach in the 2024 version of the SFI, but it is still unclear how much further this will be taken given the pick and mix culture of the scheme. **Table 4** provides an example of a set of actions that could be undertaken under SFI 2023 by a conventional 100-hectare arable farm.

The 2024 "expanded offer" version of the scheme was first announced in the update of the **Agricultural Transition Plan** published in January 2024, revealing that it would include a significant increase in the numbers of actions. Subsequently it has been confirmed as incorporating 102 actions comprising a combination of:

- All the 23 actions from SFI 2023 – some of these have been updated following feedback.
- Around 20 new actions – including for example no tillage farming, precision farming and spring-sown or summer-sown cover crops.
- Over 50 actions previously offered under the Countryside Stewardship Mid tier scheme – many of which have been modified to make them less prescriptive and more in the style of SFI.

All actions within SFI 2024 and CS mid tier will be merged into one application. SFI 2024 agreements can also now be reviewed on an annual basis, but only in consideration of more actions or an expanded area under agreement.[21] Moreover, simultaneous multiple agreements are allowed, giving scheme participants the flexibility to select options as and when they become available – as opposed to waiting for the annual review date to do so.

Table 4 Set of SFI 2023 actions that can be undertaken on a conventional 100-hectare arable farm.

Action	Description	Area included (ha)	Payment received per year (£)
SAM1	Soil assessment plan	100	675
SAM2	Cover crop	18	2,322
IPM1	Assess integrated pest management and plan	100	989
IPM4	No insecticide used	36	1,620
AHL2	Winter bird food	13.25	9,699
AHL3	Grassy field corners and blocks	1	590
AHL4	4m grass buffer strip	5	2,225
NUM1	Assess nutrient management and plan	100	589
NUM3	Legume fallow	5	2,965
HRW1	Assess and record condition of hedgerows	12,650m	380
HRW2	Manage hedgerows	12,650m	1,265
		Subtotal	**23,349**
Including SFI management payment at £20 for first 50 hectares		**Total Income**	**24,349**

Source: **Topliff (2023)** [20] N.B. These rates will not necessarily be the same for the 2024 SFI.

There has also been a significant increase in average payment rates (also applying to CS), aiming to make them attractive, not least during a period of significant inflation. Altered payment rates for individual actions and other adjustments have aimed to achieve an appropriate balance between "creation" actions and "maintenance" actions. Rates for many actions rose by 10% and some important ones by more than this. In addition to this, premium rates for "high ambition actions" or clusters of actions which will yield enhanced benefits to the environment16 have been introduced. This is a mechanism for targeting the scheme more closely on the higher priority environmental impacts so presents a significant change and a mechanism for focusing expenditure more tightly on key objectives.

Whilst farmers only were able to submit an "expression of interest" rather than a full application at the time the **SFI expanded offer for 2024** was formally unveiled at the end of May 2024, Defra published the accompanying official guidance document for farmers. There had been concerns that a slow roll out of the 2024 version could cause unease within the farming industry, given the period of uncertainty over ELMs and the 50% reduction in Direct Payments.[13] In light of the news of the expanded offer, the NFU reiterated the need for greater clarity with regards to the timeline for the application process.[22]

Early-stage applications to the Rural Payments Agency to enrol in the new version of the SFI opened in the summer and by August 2024 had attracted around 5,300 expressions of interest from farmers. To encourage early applications Defra has updated the SFI guidance, including advice on how to undertake actions offered under SFI, providing some detail on good practice and an explanation of a new system of "endorsed actions", a category that will now require prior approval either from a Natural England or Historic England adviser to ensure the action is suitable for the land in question. The list of related capital investment items that will be eligible for support (not through the SFI itself), also has been extended, for example to include planting woodland trees for agroforestry.

A number of features of the SFI, as modified in 2024, are summarised in the **box over the page**.

The list and accompanying descriptions of actions offered under SFI 2024, along with eligibility requirements, can be found **here**. The actions are now arranged under 14 rather than 9 categories, a significant increase on the 2023 version. Further actions are expected to be added later in 2024/25. This is widening the scope and potential appeal of the SFI considerably, particularly with the higher payments on offer but also reducing the number of options in Countryside Stewardship with its more demanding rules. The sheer length of the menu of actions available to farmers could present a challenge with regards to enrolling in the most suitable options and corresponding areas for their individual farms. Land agents are likely to provide an important source of advice, with leading companies such as Savills, Knight Frank (see **Table 4**) and Andersons[21] producing their in-house analysis and research on this.

Sustainable Farming Incentive (SFI)	
New entrants as well as established farmers can join.	Actions from 2024 will include several relating to precision farming, no-tillage systems, agroforestry and spring sown or summer-sown cover crops, protection of stone walls.
Non-competitive for all farmers.	Detailed prescriptions e.g. grassland cutting dates, generally avoided and emphasis is on aiming to achieve the specified result, not detailed management prescriptions.
Applications generally do not require pre-approval, but with some exceptions where Natural England or English Heritage must give consent.	Considerable flexibility in location of actions and in most cases, it is not required to enrol the whole of a field.
Typically, a 3-year agreement, but some are 8 actions which require a 5-year term. These actions necessitate greater complexity in management or longer timespan for the outcome to be realised (e.g. GRH6 Manage priority habitat species rich grassland).	Actions can be stacked with actions from CS and LR (but cannot be paid twice for the same action).
Most farmers can apply online; special arrangements for those on common land. Decisions are made quickly now, in an average of 8 days in 2024, much faster than in the past.	Options for organic farmers are included, covering both maintenance and conversion, instead of a separate scheme.
Tenants can apply without the landlord's consent provided that they can assure the RPA that they will have management control over the land for requisite period.	Limits apply to the extent to which farms can adopt certain actions which do not involve food production.
Applications are on a rolling basis, payments are quarterly.	Advice is available free from lists of authorised private providers.
From 2024, 102 actions to choose from (Table 3 and 4 provide more description and examples of actions that can be undertaken).	

1 (b) The Countryside Stewardship (CS) scheme in more detail:

While the Countryside Stewardship (CS) scheme is relatively complex with several different elements, the current form comprises two main elements, the mid tier and the higher-tier schemes; with the mid tier being combined with the SFI offer starting mid-2024. The higher-tier scheme, with a smaller number of agreements in place, reflects a greater ambition in terms of scale and complexity of the actions on offer and is particularly concerned with biodiversity and habitant improvement along with woodland creation.

CS has a long history going back to an original pilot in 1991 and was fully operational in an earlier form in the 1990s when the UK was within the CAP. Significant changes have been made in recent years and more are to come as it is adapted to be a more integrated middle tier of the ELMs architecture. Instead of being phased out it has replaced a proposed Local Nature Recovery scheme, originally conceived as the middle tier of ELMs but never coming to fruition. The popularity and familiarity of CS were factors in the decision to retain it, with the number of agreements rising by 92% between January 2020 and 2023. Concerns arose in Defra about the implications that a discontinuation of a successful scheme such as CS might have.[23] Subsequently the putative Landscape Nature Recovery has been absorbed and rebranded as “Countryside Stewardship Plus”, a portion of CS which seeks to encourage the delivery of environmental objectives through coordination actions and collaborations amongst farmers and land managers. Plans for the progress and development of CS Plus are not very clear.

CS is a competitive scheme run by the Rural Payments Agency (RPA) like the SFI and there are specific rules that apply to the different elements, including the 8 types of capital grant (see below). Defra decides whether the different strands of the scheme are open to applicants or not and they are not all open on a continuous basis. The multi-annual agreements for farmland and woodland management (Mid Tier and Higher Tier CS), cover a wide range of environmental goals, many focused-on biodiversity and landscape management and restoration. Generally, CS agreements have more demanding provisions than those in the SFI and are more targeted, with more granular and specific requirements traditionally requiring prior approval for an application. Targeted environmental actions in specific locations, landscape features or habitats may range from wildlife habitat restoration, woodland creation or management and flood risk mitigation. Recent additions include grants to incentivise farmers and landowners to undertake more coordinated action with neighbouring farms within the local landscape to deliver bigger impacts and contribute to climate and nature targets.

Taken as a whole, CS currently remains the primary agri-environment scheme (AES) in terms of enrolment – with 34,900 agreements as of 6 June 2024.[24] CS is made up of the following elements:

1. **Higher Tier Agreements:** These are multi-year agreements ranging typically from 5 to 10 years, offering a range of management options, supplements and support for capital items for the most environmentally important sites which usually require relatively complex or site-specific forms of management. These target areas include commons, which are important shared management areas, mainly in upland environments

and sites with important woodland. Agreements may involve the management and restoration of both agriculturally managed land and woodland. The Higher Tier will take over the role of the Higher-Level Stewardship (HLS) agreement model when it expires in 2024.

2. **Mid Tier and Wildlife Offers:** These are competitive multi-year agreements of 5 to 10 years which seek to achieve simpler but effective management requirements and consequential environmental benefits. The aims of the Mid Tier are to enhance the diversity of wildlife, improve air and water quality and manage natural floods. The "Wildlife Offer" is part of Mid Tier and offers a slightly simpler form of agreements designed to enhance wildlife in specific farm types, namely: lowland, mixed, upland and arable.

   As of the beginning of 2023, the Mid Tier and Wildlife Offers accounted for 87% of all CS agreements, with the Higher Tier having only 2,700 agreements.

   From summer 2024 onwards, a process is beginning whereby the options in Mid tier agreements will be available to farmers only within the extended SFI, generally in a simplified form with fewer specific requirements (as discussed below).

3. **Capital Grants:** These are 3-year agreements to deliver specific environmental benefits where aid for investment is required. The following specific grants are included within CS currently:

   - *Capital Grants*: They are available as part of a revenue agreement, such as the mid-tier, or independently as a Capital Grant agreement. These agreements are for three years, with the specific objectives of achieving environmental benefits for 1) boundaries, trees and orchards; 2) water quality; 3) tree quality and 4) natural flood management.
   - *Higher Tier Capital Grants*: These grants offer support for a range of specialist Higher Tier Capital items with environment benefits on land that is already in a Countryside Stewardship or Environmental Stewardship/HLS agreement.
   - *Protection and Infrastructure Grants*: These grants are for the enhancement of woodland and for beaver management (the re-introduction of beavers is taking placed on a controlled basis in several places).
   - *Woodland Management Plan Grants*: This grant is a one-off payment to establish a 10-year woodland management plan.
   - *Woodland Tree Health Grants*: This grant is intended for the restocking of woodlands or removal of trees due to tree health problems.

- *Implementation Plan and Feasibility Study Grants*: These grants are offered to fund more complex agreements and projects, and applications are dependent on consultation with a Natural England advisor.

4. **The Facilitation Fund:** This fund is to support the costs of facilitation in initiatives which bring together groups of farmers, land managers or foresters to enhance environmental outcomes in a landscape where there are benefits of a collective approach.

In terms of delivery, recent changes made to CS have aimed to ensure inspections are fairer, to enhance accessibility to advice, and facilitate quarterly payments on a more frequent basis. In addition, accessibility to CS and higher tier options have also been improved for tenant farmers.[25]

The changes to the ELMs schemes applying from the Summer of 2024 will affect both the architecture of the CS scheme and its delivery, as alluded to above and in the section on SFI, the CS mid tier effectively is being integrated into the SFI. Many of the options available in the current main mid tier scheme are being moved across into SFI, usually with some simplification of the rules and the timescale of agreements has been reduced to 3 years in most cases. The application processes for both SFI and the middle tier of CS respectively are being merged into one service, enabling scheme participants the choice of selecting a mix of actions from both schemes for their farm. This means that there will no longer be new applications for Mid Tier, and CS Higher Tier will move ahead separately.

Countryside Stewardship (in comparison to SFI)
SFI includes relatively "light touch" actions. CS is more ambitious regarding environmental outcomes and corresponding changes in farm management.
Several different elements including two core tiers and an array of capital grant options.
Higher tier element is for more demanding agreements usually over longer periods with more detailed application processes and prior consent from environmental agencies. Correspondingly higher payments.
Includes dedicated grants for woodland creation and management.
Longer agreements in Mid Tier (5 years compared to SFI's usual 3-year agreement) .
Fixed window for application (vs rolling application for SFI).

This change is intended to streamline the application process and add more flexibility with regard to options selected. Defra intends to focus more on outcomes as a whole, rather than on individual schemes and sees the merger as a step in this direction. However, the different basis and rules applying within the current versions of these schemes suggest some complexities may take time to be resolved, a view shared by stakeholders on the farming side.

Given the expanding range of goods and services covered in SFI and CS, it is worth noting the various types of action that may qualify for support. They include "creation" actions (e.g. creating species rich grassland), and "maintenance" actions (e.g. management of hedgerows) and provision of advice (facilitation fund) as well aid for investment and for undertaking planning or management actions, such as preparing soil management plans. Similarly, there is a differentiation between whole farm actions (e.g. "organic land management") and only parcel based (e.g. 4m to 12m grass buffer strip on arable and horticultural land). Agreements are available for organic conversion over five years and there are several options rewarding continued organic practices.

A full list of SFI and CS actions that can be paid for in 2024 can be found **here**.

1 (c) The Landscape Recovery (LR) scheme in more detail:

The final component of ELMs is the **Landscape Recovery (LR) scheme**, the most ambitious of the three in terms of the objectives and the extent of intervention on a landscape rather than individual farm scale. This scheme provides funding for more bespoke and longer-term projects requiring considerable preparation and is intended for landholders and land managers who are ready to commit to delivering significant management changes with both environmental and climate benefits on a larger scale and for a longer period. The scheme is competitive and operates through the submission of detailed project proposals in response to application windows only opened for limited periods. Applications are made to Defra but once agreed the contractual arrangements are with the Environment Agency and Natural England. Projects are expected to last for 20 years or more.

There is an expectation that these agreements will operate in tandem with private finance, for example for carbon sequestration and that it will provide useful experience on how multiple sources of funding can be combined in practice. It is early to judge how far this ambition will be realised.

For applicants to be eligible for this scheme, the project proposed should cover 500-5,000 hectares and will be assessed, amongst other factors, on the longevity, the benefits it yields to the environment and community, impacts on food production, along with cost and value for money. All land in England is eligible and may include areas that are already under an agri-environment scheme. For public bodies, application for LR has to be in collaboration with neighbouring land managers.

Applications are managed via a staged approach, starting with project development. Defra offers funding to support the development of pilot projects over a preparation period that may extend to two years. Successful pilot projects are awarded contracts and funding.

The initial scope of this scheme extended to biodiversity, water quality and progress towards net zero, with the first round of LR projects open for proposals in 2022. The focus was specifically on species recovery and restoration in England, entailing the recovery of priority habitats, habitat quality and species abundance and the restoration of streams and rivers. Measures to enhance water quality and biodiversity and reducing flood risk were in scope. The first round of LR projects aimed to deliver 10,000 hectares of restored habitat, 25 to 50 kilotons of carbon saving annually, and to improve the status of 45-57% of Species of Principal Importance in England. In total 22 projects were chosen for this initial round, spanning over 40,000 hectares of land.

Another round of funding for LR projects was opened in 2023 with a budget of £25 million in total, with Defra selecting a further 34 projects from the applications. The focus for this round was climate mitigation, protected sites and habitat creation, with the aim of 1) restoring more than 35,000 hectares of peatland; 2) managing more than 20,000 hectares of woodland and creating a further 7,000 hectares of woodland; 3) benefitting more than 160 protected sites. The third round of Landscape Recovery is due to open in 2024.

Box 3 A Landscape Recovery project in focus

Located in the Northumberland National Park, the **Hadrian's Wall Wetland project** will entail the collaboration of farmers, land managers, relevant stakeholders in the community (particularly those surrounding the Hadrian's Wall landscape) and the National Park Authority in restoring peatland and watercourses, tree planting and habitat creation. The restoration of peatland and other habitats is designed both to restore biodiversity in that area and also sequester carbon together whilst addressing the issue of flooding downstream.

This project is being led by the Northumberland National Park in partnership with various other environmentally related, cultural and local authorities (such as Forestry England, Northumberland County Council, Historic England, etc.) and is supported by private finance in the form of the Reece Foundation.

2 Other schemes beyond ELMs

In addition to ELMs, the "Environmental, climate and animal welfare outcomes" strand of the FCP includes three other schemes described briefly below:

The England Woodland Creation Offer

The England Woodland Creation Offer (EWCO) is open to landowners, land managers and public bodies, offering funding to support the creation of new woodland. Open until 2024, EWCO has an overall budget of £15.9 million (in its first year)[26] and offers payment rates of up to £10,200 per hectare, with an additional £12,700 in "stackable" payments available where projects contribute to wider public benefits, such as public recreation. This scheme will be integrated into the Countryside Stewardship scheme and so become part of ELMs in 2025.

Farming in Protected Landscapes

The geographically focused **Farming in Protected Landscapes** (FiPL) programme was launched in June 2021, with the aim of supporting environmentally focused management in England's protected landscapes. It has an overall budget of £100 million,[27] spanning the years between 2021 to 2025. Eligible activities include forms of management contributing to nature recovery, climate change mitigation, and protecting and enhancing the quality and character of the landscape.

This programme is open to farmers and land managers within the two main categories of protected landscapes in England, the Areas of Outstanding Natural Beauty (AONB) and the National Parks. Together these represent a significant proportion of the whole rural area and in most cases, farming is the predominant land use. Many but not all National Parks are in upland areas while AONBs have been created in a wide variety of landscapes.

The FiPL programme four major themes (i.e. climate, nature, people and place) and has encompassed 3,000 projects (as of 5 February 2024). Defra has reported that FiPL projects have created or improved around 70,000 hectares of biodiversity habitat, planted more than 100,000 trees and 100 miles of hedgerow, along with conserving or enhancing 300 historic features. This programme will run until March 2025.

The Tree Health Scheme

The **Tree Health Pilot** was established to test a variety of ways to slow the spread of tree related pests and diseases in England. This pilot is scheduled to run from 2021 to 2024, with findings informing the design of the future Tree Health Scheme, which will be delivered through ELMs. It also expands on support provided under the Woodland Tree Health grant element of the wider Countryside Stewardship scheme. The grant is competitive, with 100 grant agreement available.[28] To be eligible for support, applicants for this scheme must be in certain regions of England and manage specific trees or woodlands where certain pests or diseases are present.

Additional environmental schemes

There are also additional sources of financial support for environmental actions that may be on farmland that are outside agricultural policy and beyond the FCP budget. The two most sizeable one's worth particular mention are the Nature for Climate Fund and the Rural England Prosperity Fund; both of which are summarised in **Annex Five**.

C. Farm Prosperity Schemes

A number of schemes set out below have the broad aim of increasing farm productivity in an environmentally sustainable manner or advancing animal welfare, and fall under the "Farm Prosperity" thematic bucket of the FCP. Most take the form of aid for undertaking capital expenditure but there are also schemes for providing farmers with advice and a relatively small-scale pilot scheme for assisting new entrants.

The range of capital grants is relatively wide and expanding but expenditure has been on a relatively small scale to date given the scale of the transition that is expected in the agriculture sector. The total advisory effort is widely regarded as insufficient, particularly given the extent of policy change and other pressures being faced by farmers. This has been stressed by many stakeholders and was reinforced in the recent review of the FCP undertaken by the NAO. This pointed to the need for more advice on whole farm management and adaptation goi ng beyond the current focus on business advice and recommended that Defra should "*develop a comprehensive and unified package of advice for farmers that will best support them in making the changes needed and help them to progress towards activity that delivers greater environmental benefit;*"(**NAO 2024**, p.14).

The current schemes in the Farm Prosperity category consist of:

The Farming Resilience Fund: This fund provides free business advice and related support to farmers and was established to assist farmers during the transition between agriculture policies, including the loss of Direct Payments. With a relatively small budget of £32 million, the fund is intended to offer farmers support through consultations and farm visits which are delivered by independent organisations grant funded by Defra. These visits are followed by recommendations through a report, workshops, webinars and networking opportunities. The fund is due to run until 2025 and is expected to provide support to 32,000 farmers. It sits alongside Defra's Farming Advice Service (FAS), which offers technical advice to help farmers understand and meet the regulations that apply to them, the advisory strand of the voluntary Countryside Stewardship scheme and the advisory work of the statutory agencies such as the Environment Agency.

The Farming Investment Fund (FIF): is the largest scheme providing grant aid for a wide variety of investments, particularly equipment, technology and infrastructure and works on a competitive basis. The focus is on investments that will improve productivity and provide environmental and animal welfare benefits. There are separate strands for smaller and for larger grants and at the moment there are six sets of focused grants.

This fund is split into two sub-schemes, the *Farming Equipment and Technology Fund* (FETF), which provides smaller grants (up to £50,000) aimed at enhancing business performance, for example by facilitating the adoption of regenerative farming practices and supporting animal health and welfare. *The Farming Transformation Fund* (FTF) on the other hand, provides aid for larger investments of £25,000 to £500,000 for larger and potentially more transformational improvements to farm businesses and the environment.

The FTF is centred around the themes of improving farm productivity, adding value, and water management.[29,30] Within the FTF are six sets of more focused sub-schemes offering grants, namely: Improving farm productivity, water management, adding value, slurry infrastructure, calf housing and, recently, laying hen housing.

The widest ranging of these is the "Improving Farm Productivity" grant which aids a spectrum of capital investment, recently including robotic and automation equipment – aiming to increase farm and horticulture productivity – and investment in solar related equipment.[31] The grant will cover 50% of the cost of selected investments. Round 2 of this initiative was launched this year (2024) with a budget of £15 million allocated to each of the two themes.[29]

Amongst the other elements are:

- *The Laying Hen Housing for Health and Welfare grant*. As part of the Animal Health and Welfare Pathway (mentioned below), the grant has a budget of £22 million, with applications expected to open in October 2024.
- *The Adding Value grant*.[35] Aimed at supporting farmers who want to expand their farming operations into processing, packing and retailing. Applications for the initial grant were opened in June 2023. The scheme offers grants of between £25,000 to £300,000, with an overall budget of £30 million.

These investment schemes have proved popular with farmers and have been enlarged in recent years with a higher level of uptake. At the same time, there remain barriers to participation for some farmers, including those who need to borrow money for their share of costs and face difficulties in obtaining finance, including for more innovative, riskier investments. Some of the budgets appear small given the Defra ambitions to bring about a sizeable increase in productivity which has not been growing fast in recent years. Both the economic and environmental transitions required in agriculture suggest a substantial level of investment will be needed.

For example, reducing current levels of water pollution from livestock farms on the scale needed to meet EIP targets is likely to require very significant investment. Given that increasing output and efficiency in the horticulture sector is a prominent Defra objective, the new round of funding for automation and robotic equipment looks very modest with a budget of £15 million, especially given the anticipated high levels of uptake, and the recognised need to supplement seasonal labour shortage with greater automation where this is feasible.

New Entrants Support Scheme: This was a fairly small-scale pilot scheme intended to test an approach to supporting those who want to enter the agriculture industry and develop land-based businesses. The focus was on testing the incubation of a viable farming business: providing tactical support to young starters in the early stages of development. A pilot was launched in 2022, with individuals who either do not have their own land-based business or with 4 to 10 years of experience of running a land-based farming business, eligible to apply for the pilot. The period to apply was relatively short but nearly 200 participants took part. It closed in 2023 and there was an evaluation of the results which was published.[32] However, it is not clear whether Defra wants to proceed with a full scheme now the pilot is over.

Farming Innovation Programme: The programme was launched in 2021 with a budget of £270 million[33] and aims to support projects that will increase productivity and improve environmental sustainability in England's agricultural and horticultural sectors. It runs as a partnership with the Innovate UK organisation. Funding from this programme is awarded through regular competitive rounds on a variety of changing themes. Current avenues for funding are available through four competitions, based on the length of the project (18 months to 5 years), budget size (£28,000 to £6 million), and also the purpose of the project (research starter, feasibility study or R&D partnerships[34]).

Animal Health and Welfare Pathway: Launched in 2023, the "Pathway" supports the enhancement of animal health and welfare on farms. Three strands constitute this Pathway: 1) Payments for farmers who deliver public goods i.e. welfare levels above the statutory requirements; 2) Stimulating market demand for higher welfare products; 3) Strengthening the regulatory baseline. Within the first strand ("Financially rewarding farmers who deliver public goods") are four funding programmes. These are the:

- Annual Health and Welfare Review, as part of the SFI, which pays for an annual vet visit to farms.
- Animal Health and Welfare Capital Grants which offer funding to farmers to deliver published health and welfare priorities. The Calf Housing for Health and Welfare grant, under the Farming Investment Fund, is one such example.
- Disease Eradication and Control Programmes, which will be established in 2024 to provide farmers with financial support to prevent and reduce endemic diseases and conditions.
- Payment by Results, which will reward farmers who achieve higher animal health and welfare outcomes. This will be trialled in 2024, with plans to launch it full-scale in 2025.

This pathway incorporates capital grants ranging from £1,000 to £25,000. These co-finance equipment and infrastructure in order to enhance animal health and welfare.

Catchment Sensitive Farming: This is a scheme providing advice to farmers and land managers on the specific topic of avoiding water pollution and, more recently, air pollution as well. It also covers flood management. The £30 million programme is run by Natural England in conjunction with Defra and the Environment Agency – working with a range of other organisations such as water companies, local authorities and environmental organisations. CSF advisers are locally based and offer one to one advice and training.

Initially confined only to the higher risk river catchments it recently has been expanded to cover all catchments, with a corresponding doubling of the budget. The programme provides free voluntary advice to all farmers in England in relation to pollution reduction (e.g. soil and nutrient management, handling pesticides, reducing ammonia emissions, etc.,) improved water and air quality, flood management and the transition to ELMs. However, the advisory effort is concentrated on farms where the potential to reduce pollution appears greatest and it is seen as a useful policy tool for contributing to the pollution reduction goals of the 25 Year Environment Plan.

3.2 *Market-based initiatives*

Increasing the role of private sector funding in providing environmental services and expanding the level of private investment in natural capital has been part of the Government's broader approach both to climate change and biodiversity restoration for several years. It reflects concern that public sector funding will not be sufficient for the scale of funding needed as well as a more general enthusiasm for market mechanisms. Moreover, it could provide an avenue to further meet objectives such as the Net-zero target of 2050 – with the **OECD report** encouraging the inclusion of agriculture into the Emissions Trading Scheme as a significant way of reducing emissions whilst providing farmers with another source of income stream. However, within civil society there are mixed views on the desirability and practicalities of this approach and the mechanisms that could be used to put it into practice, with both enthusiasm and concern, especially if it leads to the takeover of significant areas of land by corporate investors and the displacement of the farming community.

Nonetheless, it is a potentially a significant strand of both nature and climate policy accompanying ELMs. In a letter to the then Defra minister, Victoria Prentis MP, written in 2020[36] at the time the ELMs programme was being designed, the Committee on Climate Change and Adaption Committee supported the need for private investment to work in tandem with the ELM schemes. In particular, those challenges which would require management on a landscape level, such as flood risk management, carbon sequestration and water quality improvement, would need both private and public investment to realise outcomes of the desired quality and scale.

The Government has signalled its intention to encourage the much larger scale deployment of nature markets. Under the overall green finance strategy there is a goal to grow annual private investment flows to nature to at least £500 million per annum by 2027 and to £I billion by 2030. Initial plans for a framework and rules to encourage and underpin such growth were published in a Government policy paper of March 2023,[37] "*a framework for scaling up private investment in nature recovery and sustainable farming*". It envisages a working framework for a nature market, albeit a rather limited one, that covers, *inter alia*, core principles to ensure that markets operate with integrity, developing rules allowing farmers and other land managers to combine public and private income streams, and the systematic development of a suite of high integrity nature conservation standards by the British Standards Institute, a process that has begun already.

Several specific initiatives designed to facilitate and promote the role of the private sector in stimulating the provision of environmental services by agricultural land managers have been put in place over the last few years, including:

- The Woodland Carbon Code.
- The Peatland Carbon Code.
- A policy mechanism for generating Biodiversity Net Gain (BNG) being introduced currently using powers under the Environment Act, but not yet operational.

While these measures form steppingstones in terms of creating new markets, it is unclear how far such markets will grow by 2030 from a modest level now or the extent to which they will influence farm management, particularly by incentivising afforestation, peatland restoration and changes in soil management. Stakeholders interviewed for this report recognised progress on this front but generally did not expect it to become a major funding stream in the next five years or so. There is a widespread view amongst stakeholders and farmers alike that there are still several challenges standing in the way of these markets from being scaled up. They include the question of additionality, uncertainty about how these carbon credits or biodiversity gains/losses will be measured, and doubts around the value of these contracts – and how they might impact on land values – in the long term.

4 DELIVERY AND IMPLEMENTATION

This chapter offers an overview of the way in which the new generation of ELM schemes is being designed, delivered and controlled in England, in a series of significant changes that are still evolving as CAP era controls and practices are being adapted to new conditions, objectives and challenges. These changes are inter-linked and for the most part reflect a new approach involving flexibility, simplification and improving farmers' whole experience of participating in voluntary schemes are more central concerns. Following a short explanation of the new orientation, some key elements of the current delivery and implementation system are discussed individually. A more detailed discussion of the question of reducing barriers to entry is included since it has been a prominent theme in the design of ELM schemes.

4.1 *A new approach*

Over time, it has become increasingly clear that the delivery and control aspects of new schemes, especially those involving annual agri-environment payments to farmers, are likely to be critical factors in determining levels of participation and ultimately the success of schemes. This dimension of scheme design and operation therefore has been given high priority within Defra, with the encouragement of farmers and their representatives. The SFI and revised CS schemes have many of the core features of long established agri-environmental schemes applied throughout Europe and more novel designs, such as results-based payments have played little part in the FCP to date. However, departures from past practice and relatively novel approaches have been more visible on the design, delivery and control side of the FCP. Greater flexibility, simplification, reduced jeopardy for farmers and fewer barriers to entry have been key themes.

There are several different themes in the new approach. At a high level, these can be summarised as an extensive process of stakeholder engagement in the broad development of new schemes (but less in scheme design), greater flexibility, more emphasis on efficiency and digitalisation, a simplification of delivery processes, aiming to increase the appeal of schemes to farmers; principally by making many aspects of participation easier, lightening the administrative load and reducing the real and perceived risks of penalties for breaching rules. This is put into practice at several different levels, while there is a parallel goal of reducing administrative costs.

Consequently, the culture and practice of policy delivery has been seen by Defra, and to varying degrees by other stakeholders, as a critical dimension of the change in approach in England, potentially requiring the same level of attention by Defra and its agencies as policy design. In order to remove or reduce a major barrier to entry, scheme delivery systems needed to be amended and to take more account of farmers' and other land managers' perceptions of both the scale of administrative burden and the risk of penalties and what continue to be seen as intrusive checks at farm level. In parallel, the role of enforcement and penalties for breaches has been played down and more emphasis placed on an "advise and prevent" approach being taken by Government agencies involved at farm level, including the RPA and the Environment Agency, where the capacity to offer advice has been expanded.

Reducing barriers to entry by farmers is emphasised by Defra as a central element driving the new approach to policy and so justifying the increased flexibility on offer, the less rigid control systems and the much-reduced risk of penalties, both in terms of perception and in reality. More generally, the Government during this period has been sympathetic to the overall philosophy of lowering administrative burdens for farmers and other smaller businesses and reducing the number of farm inspections related to support policies, potentially complementing the more flexible approach to scheme delivery.

Outside the CAP, the need for control and accountability remains in place and national bodies are required to take on the role played previously by the European Commission. Defra's expenditure on all schemes is scrutinised by both the Treasury and the NAO an independent Government body. There is also Parliamentary oversight, including periodic inquiries by the House of Commons Public Accounts Committee. Management of the programme within Defra is subject to scrutiny by both the Infrastructure and Projects Authority (IPA) and the Government Internal Audit Agency (GIAA).

4.2 *Co-design of new schemes*

In the Agriculture Transition Plan, published late in 2020, co-design is highlighted as one of the most important guiding principles to be applied during the period of change. It was described in a Defra blog published soon afterwards as a "*design approach that actively involves users and stakeholders from the beginning of a project, right through to roll-out*".[38] It entails greater flexibility in designing and modifying policy relative to the past and developing a wider spectrum of engagement pathways, beyond formal written consultation processes for example.

While expectations of co-design vary somewhat,[39] there is no doubt that Defra has invested in a much more intensive programme of engagement with farmers and other stakeholders than in the past. There have been exchanges in different formats and a variety of levels and a substantial increase in the extent of communication about policy development and application, sources of advice, likely next steps, upcoming application opportunities, etc.

In the current CAP period, consultation with stakeholders has been required of Member States in the course of the development of CAP strategic plans but it is early to assess how far this has occurred in practice. It seems likely to vary considerably between Member States, depending on the "consultation culture" and the strength of civil society organisations. Up until 2024, Member States were permitted to change their strategic plans once a year (now this limitation has been removed) and they need the approval of the European Commission. In England, for better or worse multiple changes in the programme have been made and this continues to the case. This highlights the tensions between being open minded and flexible in charting a new course and on the other hand avoiding frequent change, undermining the confidence of farmers and other stakeholders. Both have occurred in England, especially in relation to the SFI.

Defra established an internal policy Co-design Team that coordinates design and research work with farmers, land managers, the wider farming community and other relevant teams within Defra. The latter can have significant interests in how the policies are to be applied. For example, the teams concerned with water quality will be engaged in exchanges about how far the ELM schemes could and are likely to bring down pollution from agricultural sources. The co-design team seeks to involve the "right people" in the design and development of new schemes and policies, at the right time and in the right way.

"T*he team is essentially responsible for making sure that people affected by our services and policy have a chance to have their voice heard and share their lived experience with us to influence what we do. We do this in a number of ways such as through workshops, research discussions, seminars and farmer-led discussion groups*".[40]

This does not mean that stakeholders such as the NFU have become part of the structure where decisions are made. Power remains with the Government, the relevant ministers and departments, with a role for parliament as well. Stakeholders acknowledge that they have been consulted on most issues and there has been much more engagement than in the past. However, those interviewed for this report also pointed out that often they did not know exactly what Defra was going to do next or how rapidly anticipated changes in policy would come into effect. Changes of direction with little warning could and sometimes did occur, in some cases stakeholders considered that to be political considerations and the particular preferences of specific Defra ministers rather than the Defra officials explained these changes. The policy design ideas explored in many Defra funded local "Tests and Trials" did not find their way into the policies that eventually emerged. Consequently, the term "co-design" overstates what has occurred in practice.

Nonetheless, farming organisations and other stakeholders appear to have had considerable influence on the development of ELM schemes. They conveyed to Defra a key message that the willingness of farmers to enrol on the required scale in the environmental schemes (particularly SFI and CS) was sensitive to their experience of the delivery and compliance processes as well as the appeal of the commitments required, payment rates, the flexibility available and the degree of compatibility with their broader plans for farm management and food production. The importance of the delivery processes and culture was confirmed to us by stakeholder representatives in the course of this project and Defra clearly has taken this seriously. For example, the option for farmers to join the SFI at any time of year rather than needing to wait for annual or twice-yearly application windows was mentioned frequently by farming organisations as a significant improvement that they had advocated.

Table 5 Selected bodies involved in monitoring and evaluation

List of institutions and their functions	
Defra	The **Department for Environment, Food and Rural Affairs** is a UK Government department tasked with protecting and improving the environment, and responsible for policies covering agriculture, fisheries and food in England. The department also oversees the design, delivery and implementation of the Environmental Land Management Schemes (ELMs).
OEP	Created under the Environment Act 2021, the core responsibility of the **Office for Environmental Protection** is to hold the Government and other public authorities to account with regard to compliance with environmental law in England and Northern Ireland. It assesses progress in meeting binding targets such as those set out in the Environment Improvement Plan (EIP). The latest report can be found **here**.
NAO	The **National Audit Office** is the UK's public spending watchdog which is independent of the Government and civil service. It is tasked with holding public bodies to account, including scrutinising the spending of public money in different areas and auditing the financial accounts of all Government departments.
Public Accounts Committee	Appointed by the House of Commons, the parliamentary **Public Accounts Committee** scrutinises public spending and the delivery of public services by the Government and the departments of state like Defra.
EFRA Committee	Similar to the Public Accounts Committee, the **Environment, Food and Rural Affairs Committee** is appointed by the House of Commons. The main function of this committee is to evaluate Defra, its expenditure, administration and policies. The committee also has the remit to conduct inquiries to review and scrutinise farming policies.
Natural England	**Natural England** is a non-departmental public body, established in its current form in 2006 with the role of being the specialised agency responsible for helping to conserve, enhance and manage the natural environment in England, including taking forward nature recovery.
JNCC	Established in 1991, the **Joint Nature Conservation Committee** is a public body, working with the UK Government to advise on nature conservation within the UK and internationally. Its main functions are to monitor biodiversity and provide advice in which the value of nature conservation is integrated into Government decision-making.

4.3 *Responsible bodies*

The RPA, established in conformity with CAP requirements, remains in place as the principal delivery body. However, other public agencies such as Natural England, the main nature conservation agency in England also are involved to a lesser degree. Natural England, the

Environment Agency and the Forestry Commission are all providers of land management expertise for the ECP, as is the Joint Nature Conservancy Council, in a more specialist role at the UK level.

In some cases, these agencies are directly involved in the delivery of schemes to farmers rather than the RPA, but this is not the general model. An example of this is the new Landscape Recovery Scheme, which requires a more bespoke approach and deeper technical expertise than SFI and, while applications need to be made to Defra, the Environment Agency and Natural England enter into agreements with farmers.

Table 5 details the relevant departments and agencies involved in the implementation, monitoring and evaluation of the ELM schemes.

4.4 *Entry to schemes and addressing barriers*

The new schemes, notably SFI, are intended to be easier for farmers to enrol in. All farms which qualify for the BPS were able apply for SFI in the initial years, but this requirement has been removed, so new entrants can participate. Applicants must have management control of the land in question, and it must be registered on the RPA system. One important change is to allow farmers and other eligible applicants to enter the scheme at any time of year with regular monthly opportunities, rather than only once or twice annually in traditional schemes. Consequently, there is a continuing enrolment process. The application process is becoming more digitalised and is intended to be easier to complete although the large and growing number of possible actions within SFI has created a more complex menu and set of decisions for farmers. Accurate maps and coding systems continue to be needed and these can be challenging for farmers. Many farmers use advisors to complete application forms for them, which usually involves additional costs.

The ease of entry model is most apparent in the SFI, intended as the principal scheme offered to most farmers in future. It is non-competitive so all eligible farms are able to obtain an agreement, and agreements can be added to and changed on an annual basis: multiple agreements are possible on one farm and on one area of land provided that double payment does not take place. The application process is online and various forms of online guidance and support tools are available when completing the application. The submission is sent to the RPA which undertakes the necessary compliance tests, and the processing time is relatively short. The average time to process applications had shrunk to about 8 days by 2024 having been several months in 2021.[41] The first payment is made to participants 4 months after the agreement starts, whatever time of year it is, and subsequent payments are made every three months. Application to many CS schemes is also being streamlined and digitalised but the higher tier schemes require more detailed application processes. The Landscape Recovery Scheme involves substantial preparation, not surprisingly, given its ambition, scale, multiple agreement holders and often 20-year duration.

Various barriers to entry of course remain, including in cases where levels of payment are insufficient to attract applicants. However, in the last year and with considerable stakeholder urging, Defra has shown a willingness to make substantial increases in payment rates for actions where the payment is judged too low by farmers, considerably above inflation rates and above 10% in some recent cases. Reasonable flexibility is available to fine tune uptake by changing either payment rates as a whole or for specific actions and the consent of the European Commission is no longer required.

Other barriers include frictions between the actions being incentivised and the commercial and agronomic priorities of potential entrants, which sometimes will be difficult to avoid. Commentators and farming organisations, including the NFU, have noted that certain actions within the SFI either fit awkwardly within conventional agricultural systems or certain soil types or are relatively new or unfamiliar practices to most farmers. For example, there may be a requirement to plant crops and seed mixes which applicants have not planted previously and there is insufficient complementary advice provided or shared knowledge that could be drawn upon easily. An example of this may be the mixes required for actions involving species rich grasslands, the creation of strips to attract pollinators or establishment of leguminous swards.

Farming representatives commented that this could be exacerbated by the lack of guidance from Defra and its agencies on precisely the practical outcomes expected from a number of the actions now being promoted. Such granular farm level technical support is different from the more general information about the schemes that Defra provides very actively, including through regular blogs and a sustained programme of presentations and appearances at local meetings and shows which seem to be much appreciated on the farming side. There are regular announcements, including over changes in schemes, so communication is more critical than it would be in a more stable period. Defra has stepped up communication through an increased number of channels, and at different levels, including regular policy updates and more specific information about how to enter schemes and how relevant forms of research and pilot projects are progressing. The **regular blogs** are a new feature of delivery and often provide links to specific initiatives.

At a deeper level, there has been a loss of trust in Defra and agriculture policy amongst farmers who have been looking for more certainty and more strategic signalling of support from politicians during a period of change above and beyond the levels expected. Even though the era of greatest upheaval in the SFI process is past farmers are still wary and many do not express confidence in the future of agriculture in their responses to surveys.[41] The limited investment in advice schemes noted previously has been a missed opportunity to address some of these concerns.

Understandably, the farming sector would like more certainty on several different fronts, including:

- The scale of future funding for agriculture.
- The relevant aspects of trade policy, including agri-food trade arrangements with the EU and border checking procedures.

- The details of how crucial schemes such as the SFI will develop.
- The expected payment rates.
- More operational issues, such as exactly what they need to do to ensure that they do not breach the rules applying in the increasing number of actions that they are signing up to.

It is more difficult for them to predict how the policy framework will apply to them than it was under the CAP, where alterations occurred less frequently.

In due course the communication and advice barriers are likely to be reduced as farmers become more familiar with new practices, more diverse forms of support become available and peer to peer learning, often the most effective form of dissemination and learning, becomes more widespread with the help of pioneering farmers as they emerge in different localities. At the same time there will be pressure on Defra to reduce administrative costs and the headcount of public servants involved in delivery. This is an important tension that requires careful monitoring.

In the interim, there remains a demand for increased investment in well-tailored advice and support and better communication on the execution of and expected outcomes of these actions, building farmer confidence and reducing their concerns about being in breach of requirements that are not wholly clear to them.

Another set of barriers arise with specific groups of farmers, as pointed out in many reviews of the new programme, such as that by the House of Commons Committee on Environment, Food and Rural Affairs (the EFRA committee), in their conclusions to an enquiry on ELMs and the Agricultural Transition published in October 2021.[42] The report found that the complexity of agriculture on the ground had been overlooked, with the general observation that these schemes have been designed with only owner-occupiers in mind. They pointed to four potential gaps in ELMs as it was then, three of which were groups which may be hindered in participating or benefit less than others from ELMs. These were: 1) **tenant farmers,** a sizeable group in England given that about 30% of all agricultural land is thought to be managed under tenancies of various kinds; 2) **upland farmers**, another sizeable group; 3) a third group consisting of those **utilising common land**, usually for **grazing their own livestock**. A fourth gap they suggested concerned the lack of priority apparently being given to the provision of certain public goods, especially public access and the protection of the historic heritage.

These are recurring themes in scheme reviews and stakeholder discussion, with the Country Land and Business Association's (CLA) written evidence to the EFRA committee in 2022 also highlighting the limited implementation of feedback, such as from the SFI pilot, and the lack of engagement with a wider set of stakeholders which might not be representative of the farming industry as a whole. Defra has made subsequent changes to ELMs in order to address at least some of them. These have included offering more actions that upland and smaller farmers can undertake, increasing the frequency of payments to help with cashflow – particularly for tenanted and smaller farms, along with instituting a management payment in SFI which pays an additional sum per hectare for the first 50 hectares entered into the scheme, which was recently doubled to £40 per hectare, as noted in **Chapter 3**.

The NFU however, have confirmed that they still have concerns about these groups, especially upland livestock farmers who are considered to have less access to the more remunerative actions than their lowland counterparts. The NFU also underlined that there were particular barriers for access to the SFI for farmers in Sites of Special Scientific Interest (SSSIs), a primary category of protected sites for wildlife where restrictions on forms of management eligible for incentive payments apply.

These tensions are significant but not entirely new, and previous schemes have confronted such issues, especially on common land where externally designed policy models often do not fit well. This is not the place to examine the issues with tenancies more closely but it is clear that the nature of the new model is more challenging to apply fairly and effectively where land is tenanted. For example, it is becoming necessary for tenants to enter more voluntary schemes on a much larger scale to obtain a flow of support as Direct Payments are phased out and some of the management changes involved may be longer term or in other respect impinge on the terms of leases. There is anecdotal evidence of some landlords taking land back in hand to enter ELM schemes and managing it themselves, although Defra is also trying to improve the accessibility of schemes to tenants (see **Box 4**). Further monitoring of this phenomenon would be helpful.

About a third of SFI applications are from tenanted or partly tenanted holdings at the moment and future trends will be watched closely but is early to say whether the remedial measures instituted recently will be sufficient to stem a potential reduction in the area tenanted.

Box 4 Tenant Farming and the Rock review

Following campaigning by the Tenant Farmers' Association the Government established **a review of tenant faming in England**, undertaken by the independent Tenancy Working Group and chaired by Baroness Rock. One of the objectives was to look at how ELM and other new schemes should be made as accessible, open, and flexible to tenant farmers as possible. The subsequent report was published in 2022 and made 75 recommendations, leading to a Government response a year later that addressed many but not all of the recommendations. The Government's response included 75 commitments, many related to ELM participation. An official ministerial statement by Steve Barclay, the secretary of state published in April 2024 asserted that the Government had "active work underway to deliver or have completed on 64 of 75 of the commitments we made in a line-by-line response to the Rock Review". Amongst the most important of these were:

- Offering 3-year agreements to coincide with the average length of many tenancy agreements.
- Ensuring that tenants who expect to have management control for 3 years can apply,

meaning many farmers with annual rolling tenancy agreements can access SFI.

- Removing penalties for tenants who may have to exit a scheme early if their tenancy ends unexpectedly.

Overall, there are notable concerns that the high-level visions set out for ELMs by Defra have not been married to concrete targets and outcomes, in addition to the lack of how these schemes would link to wider environmental targets as seen in the 25 Year Environmental Plan (this is discussed further in **Chapter 6**).

4.5 *Scheme design focusing on outcomes rather than practices*

The obligations falling on farmers who sign up for the SFI "actions" deliberately have been designed so as to specify outcomes rather than precise practices. The rules generally do not set out the exact size of a feature that is to be provided or managed or to specific dates for undertaking activities such as mowing. Hard thresholds for compliance are avoided where possible. The composition of a "leguminous sward" is not specified for example. This approach reduces the burden of measurement and compliance on both the farmer and the RPA. The risk of non-compliance is reduced as well since there are fewer numerical standards that must be observed. Janet Hughes, the Defra Director of Farming Reform and in recent years the most visible leader of the process, describes the approach to a Parliamentary Committee in 2021 as follows:

"*If we make the schemes very prescriptive and say, 'You must do exactly this thing and only this thing', then the RPA has to enforce that. Some of what we are doing about this issue is about making the schemes more flexible and workable so that then that provides the space for the RPA and others to operate with more discretion and a bit more of a pragmatic partnership-based approach.*"[43]

This approach is generally supported by farming organisations and, from the evidence available, by individual farmers. However, it is not suitable where tighter specifications are required to secure the precise form of management to secure and environmental outcome, and this usually is the case with higher tier schemes under the CS which have had less attention than the more universal SFI model in the transition programme. Nor is the approach without risks for farmers – if prescriptions are phrased very broadly, they are potentially open to interpretations by inspectors on field visits and their judgement may not correspond to that of the farmer. It may be harder to establish with certainty that compliance has been achieved. There are also questions about how far these more loosely phrased obligations are compatible with robust pathways to meeting quantitative environmental targets (discussed further in **Chapter 6**).

Greater flexibility in detailed rules

Changes in the rules applying to specific schemes are made from time to time and generally these are designed to trim back the aspects of essential rules that reduce the appeal of schemes to farmers. For example, modifications to Countryside Stewardship rules in 2022 included:

- Giving farmers and land managers three years to complete capital works activity and submit claims from 1 January 2023.
- For all agreements introducing an annual declaration in place of a more burdensome revenue claim process.

4.6 *Farm level controls and the tilt to "advise and prevent"*

The control system continues to operate with little change in ambition regarding the prevention of error and fraud (see Section 4.7). However, it has been lightened at farm level, both for the new ELM schemes and for the remaining Direct Payments. with cross-compliance requirements being scaled back, the penalties system made more flexible and cross-compliance being removed from 1 January 2024.

In delivering the new ELM schemes, the Government was adamant in a decision to avoid processes that are likely to give rise to very detailed checks at farm level and then result in penalties for breaches. Penalties are considered the last resort, to be avoided as much as possible. Advice and support are seen as the main tools to correct mistakes – what the Government terms a shift from a "detect and penalise" approach to one based on an "advise and prevent" philosophy. This accompanies and reflects the changing stance of "payment by action" to "payment by outcome" which is considered as one of the most important shifts away from the previous CAP processes in the SFI scheme in particular and a critical change in winning acceptance and positive support from farmers for the new approach.

At an operational level, the inspection regime is set out in handbooks applicable to each scheme. Under SFI for example, farmers are required to submit an annual declaration and requirements are enforced using administrative checks and site visits (in-person or remotely) which are carried out by an RPA field officer on an annual basis (see SFI handbook, Section 5.3.2).[44,45] Other means of monitoring progress and checking compliance include remote monitoring technology such as aerial photography and satellite imagery, checking of evidence such as soil management plans or soil organic matter test results, and reviewing farmers' annual declarations.[46] Where necessary, these checks may give rise to advice on making appropriate changes to management activities in order to achieve the requirements of the Agreement, which is generally the first resort. In serious cases, amendment to or early termination of the Agreement may be necessary, and land can be removed from the Agreement. There is also provision to change payment rates if necessary.

In parallel, the approach to enforcing cross-compliance changed in the run up to its abolition. Janet Hughes summed this up for the Parliamentary Public Accounts Committee, which oversees Government expenditure from a House of Commons perspective, as follows in 2021:

"*RPA colleagues have been doing a lot of work, particularly in recent years, to take a more proportionate approach. We have changed the rules on cross-compliance so that we do not have these paperwork errors being disproportionately punished and that we target enforcement to where it is needed. That has resulted in a big drop in complaints, an 85% drop in formal complaints about cross-compliance just in one year alone, due to that work. It has happened across policy and delivery in that area.*"[43]

4.7 *Removal of cross compliance*

As noted in **Chapter 2**, the BPS (the English version of CAP Direct Payments) has been replaced by delinked payments, accompanied by the end of cross compliance (although only in England, policy is different in the other nations of the UK). Compliance with domestic legislation will become the main requirement instead. Penalties for non-compliance will no longer be applied to payments. Instead, a suite of approaches will be used to enforce compliance, for instance education and support; such as from the **Farming Advice Service**. Penalties will only be utilised in more serious or recalcitrant cases.

In a review of the regulatory regime applying to England, published in 2020, the Institute for European Environmental Policy (IEEP) found that the removal of GAEC conditions would leave several gaps in the environmental baseline unless equivalent requirements were introduced in a different way, for instance through national legislation. Initially, new provisions of this kind were not put in place. One of the most significant gaps was the measure protecting hedges from being cut during the bird nesting season, from the end of March to the end of July, introduced under GAEC 7a. There was a Government consultation on the future of hedgerow protection in June 2023, but no new legislation was laid before Parliament until spring 2024. Subsequently, this has come into force in the form of the Management of Hedgerows (England) Regulations 2024. These rules are similar in many respects to those adopted under GAEC 7a with a ban on cutting hedgerows between 1 March and 31 August 2024, but they are subject to certain exemptions and derogations. The legislation, which will be overseen and enforced by the RPA, puts in place a set of civil sanctions that it could apply, including restoration notices and variable monetary penalties in more serious cases. However, this would be a last resort and the usual advice-led approach to enforcement will apply.

The case of hedgerow protection is not the only gap in domestic legislation. Other gaps where domestic legislation does not cover all the cross-compliance rules, include detailed aspects of soil protection, hedgerows, watercourse buffer strips, and boundaries such as dry-stone walls.

4.8 *Control of fraud and error*

Defra programmes of expenditure, including the FCP, are subject to oversight and controls in the same way as those of other Government departments and the procedures are different from those under the CAP. Nonetheless, most of the concerns over controls, the level of risk, robustness and transparency of control systems, and treatment of errors are the same.

As with the CAP, a "materiality threshold", i.e. the maximum proportion of fraud and error that is deemed acceptable, is seen as important and this is agreed by Defra and the NAO for schemes or groups of schemes. For ELMs as a whole, the materiality threshold was agreed at 2.5% as a planning assumption in 2021.[47] For more experimental schemes and pilots, the threshold is conventionally set higher to reflect the initial and ongoing risks and for the SFI pilot it was set at 3 to 5%. As the NAO points out, this is not dissimilar to the CAP, with a materiality threshold of 2% and an average detection rate of 1% for the Basic Payment Scheme between 2015 and 2019 and 3% for the much more diverse and complex Rural Development Programme for England. So, although the bodies determining these rules have been different the standards have remained similar.

Defra has conceded that it has not had a fully developed control framework in place and has retained some of the historic control framework to mitigate the risks arising. However, at the time of their last full report on the FCP, published in September 2021, the NAO was not satisfied with Defra's progress in establishing an effective system to control fraud and error, commenting that "*there is still much more to be done, particularly with respect to developing operational procedures that control the risks. Currently, Defra is focused on counter-fraud for the Programme as a whole rather than tackling the specific risks and delivery approach associated with ELMs.*"[43]

The process of building a fully complete control system for ELMs is expected to take some years, especially as the most mature version of the scheme is being rolled out in summer 2024. Reports by NAO on ELMs will continue to provide independent assessments of the development of the control system.

4.9 *Administrative simplification and reduction of costs*

The goal of simplification of existing and new policies, including ELMs, applies to the administration of the programme as well as delivery at farm level. Defra's goal is for administrative costs to account for 10% of overall costs of running the new schemes, compared with up to about 18% as it was for agri-environment schemes at the outset. This is seen by most observers as an ambitious target. According to the NAO, Defra "*based this target on a desired level of savings on current scheme costs, rather than a detailed understanding of the cost drivers in existing and future schemes. Defra expects to achieve its target through a combination of simpler scheme rules, faster and more automated processing of applications, and remote and automated compliance and enforcement.*"[47]

It appears that progress to simplify is relatively slow and will be tested by the need to further develop the existing schemes, increase uptake by farmers and land managers and roll out more ambitious and administratively more demanding schemes on a larger scale to increase the probability of meeting the fixed environmental targets. This involves some difficult trade-offs as Defra acknowledges. The NAO report on the FCP, published in 2021, at a time when Defra was reviewing how to get to the target, included the judgement that "*Defra is aware that reducing administrative costs may have an impact on other parts of the scheme such as potentially higher levels of fraud and error but has not yet developed an approach to determining where the balance should be.*"[47]

4.10 *Enforcing environmental regulations applying to farmers*

With the demise of cross-compliance and control of Direct Payments, which involved the RPA in regular farm inspections, there is a more central role for the Environment Agency and other public authorities enforcing compliance with environmental, animal health and welfare, public health and other regulations on farmland. Previously they tended to let the cross-compliance process function as the main way of controlling compliance with regulation. Now they are directly responsible themselves. Furthermore, in conceptual terms, the pivot towards the provision of environmental public goods in agricultural policy requires a robust baseline of mandatory standards with only those actions beyond this reference level being eligible for support from the public sector. The relevant regulations need to be enforced to an adequate level to underpin the coherence, effectiveness and value for money of the support schemes.

Most environmental regulations in England with significant consequences for agriculture derive from EU Directives and Regulations, such as the Water Framework Directive. Significant changes have not been made since Brexit in 2020 so regulatory requirements remain similar to before and comparable to those in EU Member States. Although in 2017 the Government committed to design a new, fairer yet robust system, it has yet to respond to an independent review which it commissioned in the form of the 2018 Farm Inspections and Regulation Review (FIRR).[48] Amongst its recommendations was the adoption of a less rules-based approach to achieving compliance on farms and the creation of a single independent regulator.

Subsequently there has been no major overhaul of the regulations or substantive re- allocation of responsibilities between the regulatory agencies concerned which are "arm's length" public bodies responsible to Defra. Both the rules themselves and the level of enforcement have been a source of friction in the ensuing period. Environmental organisations have pointed to the large share of agriculture in the total diffuse pollution load and major cuts in the level of staff and frequency of farm visits by Environment Agency staff in particular in the period to 2020. Farming organisations have argued for less onerous compliance and penalty regimes and fewer "intrusive" visits. High levels of water pollution in many catchments have sparked considerable debate and press interest.

The Government has encouraged the Environment Agency to strengthen its more advisory and partnership roles rather than pursuing stronger compliance assurance procedures. The Agency currently describes its farm inspectors as taking "*a proportionate approach that uses advice and guidance first. We are a fair regulator, but if advice is not heeded, we will not hesitate to pursue whatever sanctions are necessary – including penalties, formal cautions, or prosecutions. We continue to innovate in delivering our regulatory role using remote sensing, aerial drones, and targeted campaigns on key issues like soil protection.*"[49]

Following a low of around 280-400 Environment Agency inspections of farms in England per annum in 2016 to 2020, the total has risen to around 4,000[50] annually and this is the current target to maintain. It is still not a large sample given that there are around 100,000 farms in England. More farm visits and focus on compliance are entirely necessary and probably not sufficient at present since only about half of all farms are found to be compliant with the legislation when inspected and in many cases there are multiple infractions, often associated with water pollution The Agency notified those farms that had been inspected of 4,000 actions needing to be taken in order for them to come into compliance last year.[49] Failure to undertake current nutrient planning and soil tests under the Farming rules for Water were the most recurring breaches identified. Whereas average rates of non-compliance may be lower than this since inspections are intended to focus selectively on higher risk farms, the scale of breaches is clearly much too high.

5 OBJECTIVES, MONITORING AND EVALUATION

This chapter provides an overview of the objectives of ELM schemes, the targets for uptake being put in place and the approach to monitoring, evaluation and evidence building. It begins by reviewing the objectives and parameters which have been put in place to assess the progress of these schemes since inception and the direction of travel. This is followed by a discussion of the monitoring and evaluation arrangements. The design and development of schemes within Defra has made extensive use of a growing evidence base covering many aspects of agri-environment policy and some of the elements of this are described briefly in the next section. The chapter concludes by sketching an overview of wider environmental monitoring arrangements in England, which provide the context within which the performance of ELM schemes can be assessed.

5.1 *The emerging objectives of ELM schemes*

Early objectives in the Agriculture Act 2020

In principle, the starting point for monitoring and evaluation is having clear objectives and other parameters against which progress can be measured, although this is often not the case for agricultural policy where objectives can be both numerous and lacking in specificity. In the case of ELMs, the process of establishing objectives began with the Agriculture Act 2020, legislation that applies not only to ELMs but also to future farming support policies more generally, as described in **Chapter 1**.

As both ELMs and environmental policy have moved forward in England in recent years the role of ELMs in meeting targets of the type set out in **Table 1**, while still not defined very precisely, is gradually becoming clearer. Specific objectives and associated output indicators for the FCP have been emerging in a rather episodic way, especially over the last year. However, they are still not complete. The contribution that the schemes are expected to make to meeting environmental and climate targets in England, several of which are quantitative, needs to be pinned down more precisely, not least to enable the performance of the schemes to be assessed. Up to now, the evolution of objective setting has happened in a series of stages.

In the first stage, the objectives of ELMs were described at a very high level as helping both to increase the flow of required public environmental benefits from agriculture and to address negative pressures, such as water pollution and poor soil management.

Early Government updates on the evolving FCP and ELMs generally made reference to supporting the choices made by farmers rather than subordinating them to centrally controlled targets. They listed aspects of the environment that schemes would aim to improve alongside food production but without proposing concrete targets. This approach did not find favour with parliamentary committees responsible for scrutinising Defra activities or the NAO. For example, the Parliamentary Public Accounts Committee very reasonably noted concerns about the ambitious timetable and lack of indicators with which to measure ELMs success in achieving environmental targets in 2021[51] In the Committee's **thirty first report of session 2021-22** on ELMs, the committee indicates that while a "high level vision for ELMs" was proposed, there was no concrete set of objectives provided to evaluate the success of ELMs against this vision – reiterating findings from the NAO and RSPB on the lack of clearly defined objectives or indicators of success.

More concrete objectives

Subsequently, however, this broad-brush approach has given way to accepting the need for objectives and targets. The overall objectives of ELMs have become more specific as the policies have been rolled out. A notable advance was the **January 2024 Defra Policy Paper** updating the Agriculture Transition Plan (ATP), of which ELMs is the largest component. The overall aims of the Plan, including both incentives and regulation, were outlined as follows. Through the measures in the ATP, "*the Government aims to*:

- *Maintain domestic food production.*
- *Improve farm productivity so that all farm businesses, and the sector, can thrive.*
- *Deliver ambitious outcomes for the environment and climate, as set out in the Environmental Improvement Plan and Plan for Water.*
- *Reduce agricultural greenhouse gas emissions, as set out in the Net Zero Growth Plan.*
- *Improve the health and welfare of livestock, boosting productivity, food security and exports.*

These aims can and must go hand in hand. Healthy soil, abundant pollinators and clean water are the foundations of food security and a thriving, resilient, agriculture sector over the long term."

These objectives have remained in place, and some have been developed into more granular impact targets, which can be used to assess the performance of a policy intervention. As noted in **Chapter 1**, the food production target is one of these. It is expressed as a proportion of overall national food demand that is to be produced domestically. This is set at 60%. It is relatively straightforward to monitor and measure and there is a commitment to do so and report publicly on this parameter every five years (see **Chapter 6**).

In relation to the contribution of agriculture to meeting environmental objectives there is a more mixed picture concerning impact targets. With regard to reducing GHG emissions, the various schemes in the FCP, including the Farming Investment Fund, are expected to help to decarbonise agricultural emissions by up to 6 MtCo2e per annum between 2033 and 2037. For the UK as a whole, the Government's 2021 "**Net Zero strategy; Build Back Greener**" report envisions that emissions from the AFOLU sector, covering agriculture, forestry and other land use may need to fall by 17-30% by 2030 and 24-40% by 2040. These are expectations and targets but do not define a specific quantitative binding target for the agriculture sector. There is no requirement for the sector to reduce GHG emissions by a given percentage factor by, for example, 2030 or 2040.

More specific objectives for FCP schemes

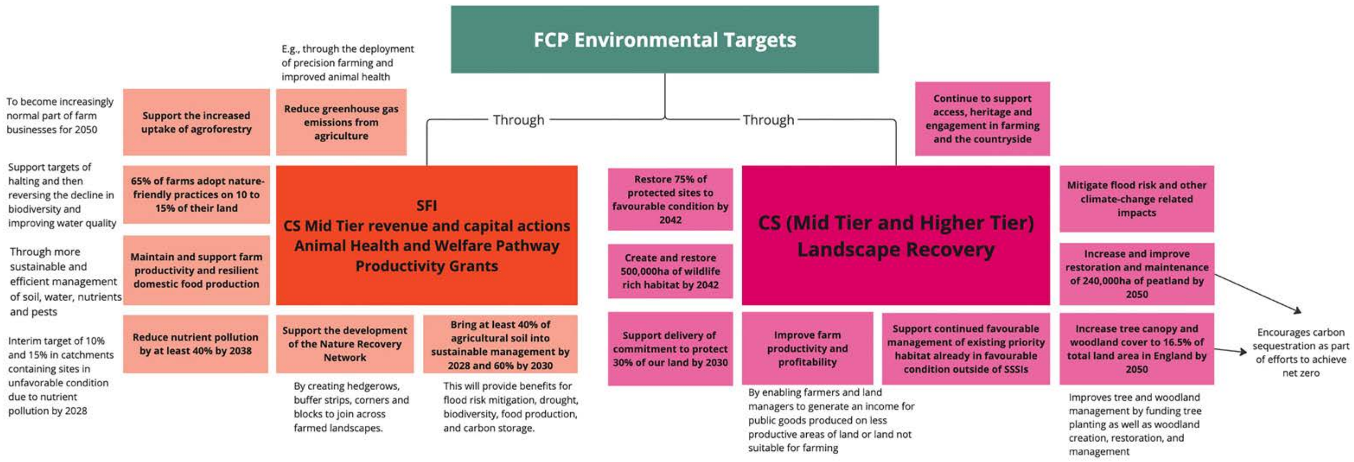
More concrete contributions from agriculture in England are now expected in relation to meeting certain other environmental targets, as expressed in the January 2024 update of the Agriculture Transition Plan and elsewhere. This is not yet a complete set but is expanding. Notable examples are:

- Farming, through a combination of regulation and public and private schemes, will contribute 80 to 100% of the target to restore or create more than 500,000 hectares of wildlife-rich habitat outside of protected areas by 2042.
- Farming and land management should contribute at least 50% of the 25 Year Environment Plan goal of bringing 75% of protected sites into favourable condition by 2042.
- Taken together, agroforestry, the creation of smaller woodlands, and, where appropriate, larger scale woodland creation should achieve approximately 90% of the Environment Act target to increase tree cover to 16.5% of England's land area by 2050.
- In terms of the reduction of agricultural pollution by nutrients and sediments, (down 40% by 2038 and 10% by 2028) 80% of the reduction aimed for should be achieved through a combination of public and private schemes, regulation and wider farming reforms. Key actions to promote are identified as winter cover crops and better management of seasonal grazing.
- Alongside this there are a few very concrete targets, such as to create or restore 48,000km of hedgerows by 2034 and 72,000 by 2050.
- Another is to increase the volume of water stored by agricultural and horticultural holdings by 66% by 2050, to underpin food production in drier areas and increase resource efficiency.

In the same January 2024 update, Defra took a further step by sketching out the distinctive roles of core ELM schemes in contributing towards the current range of environmental objectives. This has been converted into a diagram to show the primary logic (see **Figure 4**). The graphic broadly categories the environmental targets into two groups – those to be achieved by SFI, CS (mid-tier and capital actions), Animal Health and Welfare Pathway, and Productivity

Grants, along with those to be accomplish by CS (mid- and higher-tier) along with Landscape Recovery. As noted earlier, environmental targets to be met by the SFI, CS, Animal Health and Welfare pathway and productivity grants are associated with relatively widely adopted farm-level actions, whilst higher-tier CS and Landscape Recovery encompass more complex and far-reaching changes in management tailored to local circumstances.

Figure 4 Current environmental impact targets arising within ELMs



Source: Agricultural Transition Plan 2024 update

Towards SMART objectives

This relatively open process of developing and disclosing outcome objectives and targets has been accompanied by an internal track within Government to establish a more systematic set of SMART objectives for the FCP. The NAO has recorded that Defra had to prepare an outline business case for ELMs at the outset of the programme to justify the costs to the Treasury and this included 24 provisional and indicative SMART objectives that were linked to the Government's 25-Year Environment Plan and net-zero carbon ambition.[52] However, these objectives were not publicly available and whilst the NAO pressed for a series to be agreed and published openly, only recently has a set of such Defra objectives for the whole FCP reached the public domain.

This set of 16 quantified objectives appeared in the July 2024 NAO assessment[53] of the FCP and is reproduced in **Annex Six**. Most seek to quantify the contribution that the FCP measures should make to targets established in the Environment Improvement Plan and in climate legislation. They address air quality, biodiversity, climate net zero, peatland and soils, tree cover and water.

If these objectives were to be attained there would be a significantly larger contribution to environmental improvement from the agriculture sector than was in prospect with previous policies. This is a notable step forward. Nonetheless, there remain significant omissions, for example in relation to reducing the use of pesticides, since one of the aims of the EIP is to reduce public exposure to chemicals and pesticides. Nor is there a clear FCP objective corresponding to the "apex" environmental objective in the EIP, which is to arrest the decline in species abundance by 31 December 2030, and reverse it by 2042. Defra has told the NAO that it is working on a suitable quantified objective concerning species abundance which could be ready by March 2025.[53]

Achieving such targets is possible only if at least two conditions are met. One is that there is a sufficient overall level of scheme take up by those responsible for the management of the land in question, usually expressed as area of land or number of farmers enrolled. Take up can be expressed as the "output" of a scheme, as here, or the "result", as usually used within the CAP. However, the second essential condition, which is that uptake is concentrated in the appropriate locations and conditions, is more difficult to secure and to measure.

Defra has set some initial overall output targets as the ELM programme has built up (see **Chapter 6, Section 6.1**). For example, a target level for overall enrolment by 2028 was included in the January 2024 update for the Agricultural Transition Plan, set as "*70% of farmers and land managers undertaking environmental land management actions alongside food production*."[54] This and other uptake targets, for example addressing the area required under nature friendly farming management systems, can be measured and reported on relatively easily. However, the key question is how the metric is designed and measured. If all the farmers enrolled are the smallest in the country the reach of the scheme would be limited. A better metric might be the proportion of overall famed land enrolled.

By contrast, although there is support for **organic farming**, there is no target for the area of farmed land to be under organic management by a certain date, in clear contrast to the EU. This rather diverse and mostly quite recent suite of targets forms the backdrop to the systems in place for monitoring and evaluation.

5.2 *Monitoring and evaluation of ELMs and related schemes*

Whilst the UK was a member of the EU and participated in the CAP, certain obligations to monitor schemes and report on specified indicators to the Commission were in place, as in other Member States. Since these obligations were removed, the approach adopted within Defra has changed, reflecting the different legal, governance and political framework and the evolutionary process at the heart of the FCP.

Section 6 of the Agriculture Act 2020 sets out the legal obligations on the Government for monitoring and evaluation, but only at a high level. The Secretary of State is required to monitor the impact of "financial assistance" schemes funded under the Act and "*make one or more reports on the impact and effectiveness of the scheme*". The time periods involved, and the type of monitoring required remain at the discretion of the minister. However, all such reports must be laid before Parliament and published. There is no requirement for independent external evaluation, although, as noted previously, this is undertaken by the NAO at their discretion, as occurs for other forms of public expenditure.

Monitoring and evaluation in practice

In practice, the approach to monitoring and evaluation of ELMs has been driven to a significant degree by the mission of trying to get a new generation of schemes in place and to learn from experience quite rapidly. This contrasts with the more formal but transparent processes required within the seven-year cycle of the CAP. A more ad hoc, evolutionary pathway has been adopted, with little disclosure of internal monitoring and evaluation work but publication of relatively broadbrush annual reports on the FCP, regular updates on progress and plans, often on the Defra blog and occasional detailed evaluations and analysis.

At the outset of the FCP, no new set of published indicators was established to create a specific new monitoring framework for the programme or for ELMs but uptake data for schemes is now reported regularly, more than once a year for SFI for example. In addition, there is the ongoing programme of data collection for a substantial range of indicators covering the agriculture sector, which includes several relating to environmental impacts, such as methane emissions. Results for the UK are set out in annual reports, the most recent being **Agriculture in the UK 2023**.

Outside the EU, the framework for monitoring and evaluation of specific agricultural policy schemes such as ELMs has been governed by arrangements developed for solely domestic expenditure. Day to day monitoring is internal to Defra where there is a sizeable team running ELMs. Outside the Department, there is continuous scrutiny of expenditure and consequential decisions by the Treasury, as with other forms of Government spending. More visible to external stakeholders is Parliamentary oversight via House of Commons committees, including the Public Accounts Committee, the Environment, Food and Rural Affairs (EFRA), and Environmental Audit Committees. These choose their own topics and undertake enquiries and report from time to time on the FCP.

Independent scrutiny

More detailed external scrutiny is undertaken by the official but independent NAO, which reports on Government expenditure and value for money, with the freedom to choose its own topics. Alongside its annual reports on Defra expenditure as a whole, the NAO reported on the early stages of the FCP in June 2019 and on progress on ELMs in September 2021.[53] The NAO's most recent scrutiny of the FCP and the value for money that it represents was published as a report in July 2024.[53] It includes both factual information, not all of which was in the public domain previously, and assessments of progress regarding the implementation of the programme. The focus is on the FCP as a whole, how it is being managed by Defra, the delivery of environmental benefits and the impact on food supply and the economic sustainability of the sector.

NAO reports, not unlike those of the Court of Auditors in the EU, are critical in certain respects and include numerous recommendations about how to maximise value for money. We have referred to their analysis frequently in many parts of this report.

Monitoring and evaluation within Defra

Within Defra, there is a budget for evaluations and related work and there are various processes in place for tracking and assessing progress. These have not been transparent to the outside world. Recently it has been decided that a more structured monitoring and decision-making approach is required, based on consistent information. The NAO reports that "*Defra introduced a strategic management tool in February 2024 which brings together information on a range of strategic indicators of the Programme's progress and provides a red/amber/green rating against four tests for each indicator. This is being tested and refined.*"[53]

Assembling the data required to monitor and evaluate the schemes in a robust way is another challenge, especially in relation to meeting the new environmental objectives, which requires information on a number of new indicators and fresh analytical exercises, for example in predicting environmental outcomes from changing farm practices, on a scale currently not required under the CAP. At present Defra does not have sufficient mechanisms in place to collect all the required data regarding environmental outcomes and insufficient information on progress is likely to be impeding the process of amending scheme design and budgets so as to keep on track against the core environmental objectives.[53] The response has been for Defra to establish an environmental monitoring strategy and implementation plan and put in place a significant research programme to better understand environmental outcomes.[53]

Agri-Environment Evidence Programme

Alongside this internal Defra process there is also an Agri-Environment Evidence Programme led within Natural England which focuses on key topics and individual schemes, particularly the longer running ones like Countryside Stewardship, Environmental Stewardship and the English Woodland grant scheme. Specific projects within these schemes and their impacts are evaluated together with more cross-cutting topics such as the question of accounting for counter-factual evidence in evaluations. Multiple Defra agencies, external contractors and agencies are involved. The most recent **Annual Report** from this Programme brought together the results from seven peer-reviewed studies completed during 2022 and 2023. Four of these sought to examine the effectiveness of management options funded under various agri-environment schemes, several dating from before the current generation of ELMs schemes. These studies looked at scheme uptake and various indicators of success against the desired outcomes.

As an example, one of the most ambitious and novel studies looked particularly at the impact of selected agri-environment schemes on species abundance at a landscape scale, focusing on mobile species, including several species of butterflies, moths, bees and other invertebrates, birds and two species of bats. This is a particularly important topic given the key environmental objective in the EIP of increasing species abundance, with agri-environmental payments to farmers a crucial policy tool for achieving this. The study demonstrated that there were positive impacts on the abundance, richness and/or diversity of butterflies, moths and bats but not for bees and some other species in the wider landscapes beyond the patches of land specifically enrolled in schemes with biodiversity objectives. This was initial new evidence of an outcome that should not be assumed but needs to be demonstrated and further work will be undertaken to build up knowledge on the best means of increasing the numbers of mobile species and species abundance more generally in agricultural landscapes.

These studies coordinated by Natural England also are a source of recommendations for improving monitoring and reporting systems, the design and delivery of schemes, including the provision of appropriate advice, guidance and support for land managers to increase effectiveness and other means of increasing the appeal of schemes. However, this exercise is relatively sharply focused and there is no transparent cycle of larger scale whole scheme evaluation and monitoring or commitment to publication of evaluations undertaken within Defra. Generally, evaluations other than those Natural England have not been made public. There are two evaluations in progress of the SFI pilot schemes running to 2025 but the results are not publicly available.[55] This highlights the lack of transparency about several aspects of the ELMs evaluation process, including the role of external independent experts, the approach adopted, as well as the results arrived at. Undoubtedly the results of internal evaluations do feed into the periodic updates from Defra on progress under the schemes, which are useful, but this is not the same as a more structured and transparent process.

Disclosure of evaluation work is only at a very general level and indicates that it is significant but a work in progress, with some weaknesses, as confirmed by interviews with stakeholders undertaken for this report and the NAO, which has several criticisms of the present state of play but regards Defra as "*increasing its understanding of the relationship between the outputs it is funding and outcomes*."[53] In public, arrangements tend to be explained by Defra in general rather than precise terms, contributing to the sense of uncertainty often highlighted by stakeholders about the programme. For example, the RSPB's response to Defra's 2024 Agricultural Transition Plan Update, was critical of a lack of communication on how the schemes will be monitored and their progress assessed – especially against targets set in the EIP23 and the Environment Act.

A recent Defra Blog on the FCP explained that "*While we have an active programme of research to make predictions to inform scheme content, we are also building a programme by which to monitor and evaluate them*."[56] It is not clear how this is composed or structured, for example with regard to both scheme performance against goals and expectations and in relation to meeting more specific objectives, whether socio-economic or environmental. Stakeholders outside Government who were interviewed would welcome a greater level of disclosure and wondered how far the programme may need to be changed if it is not contributing sufficiently to meeting the targets. This is an entirely reasonable question and is likely to attract increasing attention as the OEP steps up its scrutiny of the EIP and the new Government conducts a "rapid review" of the EIP, announced in July and due to end by early 2025.[57]

At a broader level, Defra as a whole is within the scope of a system of performance analysis which includes the monitoring of key performance metrics agreed within Government at three-year spending reviews. This includes preparing "Outcome Delivery Plans" against Department-wide objectives which usually but not always are published. There is a system of reporting against indicators, some but not all of which are reported publicly. These indicators change over time but a number of them appearing in the most recent Defra Annual Report and Accounts relate to agriculture or aspects of the environment significantly influenced by agriculture.[58] These include:

- Ammonia emissions.
- Kilometres of enhanced and protected waters.
- Hectares of priority habitats being created or restored.
- GHG emissions from agriculture and from LULUCF.
- Area of peatland brought under restoration.
- Area of trees planted annually.
- Total factor productivity of UK agriculture.
- The % of UK cattle herds that are free from bovine tuberculosis.

The NAO publishes an annual audit report on Defra,[59] but this is on the performance of the entire department rather than a specific review of the FCP or agri-environmental schemes.

5.3 *Building an evidence base*

Contrasting with the apparently limited progress in establishing a predictable cycle of scheme monitoring and evaluation, there has been extensive investment by Defra in building up an evidence base to inform and underpin the design, delivery and impact of schemes, both initially following departure from the CAP and looking to the future. This reflects recognition that a very significant change in policy has occurred and the capacity to implement it has to be built up in terms of knowledge as well as human and budgetary resources. The exercise has had several different components which have included:

- Academic and more applied research in a wide range of fields.
- An extensive programme of "Tests and Trials".
- Intensified engagement with farmers and other stakeholders, with a commitment to "co-design" noted earlier.
- The introduction of a number of experimental, short-term and pilot schemes.
- Internal assessment and evaluation of schemes and initiatives and value for money studies.
- Natural England's annual agri-environment evidence reports described above.[45]
- The separate but relevant Natural Capital and Ecosystem Assessment exercise.

A helpful starting point would have been an Environmental Impact Assessment for the programme. However, no Environmental Impact Assessment was conducted specifically for the ELMs – only for the whole Environment Act, in which the ELMs are mentioned briefly in Section 5.3 of the **report**. While this report covers a good amount of material, the description of ELMs is minimal – only a 1-page summary of ELMs which reiterates Defra's desire for ELMs to contribute to overall biodiversity, trees and water targets, together with enrolling 70% of farmers into agri-environmental schemes by 2028.

One of the most innovative aspects of this effort has been the Tests and Trials programme. Beginning in 2018, Defra has funded more than 130 Test and Trials involving 7,000 farmers across a range of sectors and landscapes.[60] One key purpose of these Test and Trials was the development of Land Management Plans – which provided a way for individual farmers to document the delivery of public goods on their land.[61] Profiles of Tests and Trials and lessons learned have been published by Defra and this has added a new and potentially valuable element to the overall evidence base although it is less clear how far the insights gained have been utilised in the process of policy design.

The substantive SFI pilots referred to in **Chapter 3** have been another means of learning and source of evidence for Defra and its agencies. They have been an important mechanism for testing new approaches to delivery as well as policy design and monitoring. Lessons are being drawn from the overall scheme and from the specific standards and actions developed for the pilots, along with the management practices that have most appeal for farmers in real world conditions.[62]

One important foundational source of evidence about a wide range of farm management actions and farm practices that potentially could be supported via incentive schemes, was a major review covering 741 possible interventions considered relevant to agricultural land in England. This was undertaken by a consortium led by UKCEH (UK Centre for Ecology and Hydrology) and published very recently.[63] It was a large-scale exercise bringing together a range of experts from different disciplines and institutions and covering air quality, water, soils, biodiversity in various systems, GHG emissions etc., utilising 53 selected environmental and cultural service indicators. The method was to combine expert opinion and rapid evidence reviews, giving rise to 10 individual reports together referring to over 2,400 published studies.

In addition, there was an Integrated Assessment exercise undertaken by experts and generating qualitative impact scores. This has helped to inform the choice of management actions to promote through SFI and other schemes. Other research projects are being commissioned. One now getting underway is the creation of a new decision-support modelling tool called EVAST,[64] the Environmental Value Assessment Scenario Tool which looks at the potential benefits and trade-offs and their values that could arise through the application of ELMs policies. Another multi-year project at an early stage of development is the Environmental Research Collaboration for England (ERCE) which also will feed into future evaluations.

5.4 *Overview of wider environmental monitoring arrangements*

The Environment Act, Schedule 9, provides that the EIP is to be reviewed on a 5-year cycle with the current EIP23 being reviewed in 2028,[65] in addition to which an additional rapid review has been ordered by the new Labour Government by around the end of the year. During the five-year periods, the EIP will be monitored and reported on through annual progress reports. A monitoring framework utilises an Outcome Indicator Framework (OIF) which provides an important source for the regular reports. The OIF includes a total of 66 indicators that span across 10 themes – namely, air; water; sea and estuaries; wildlife; natural resources; resilience; natural beauty and engagement; biosecurity, chemical and noise; resource use and waste; and international.[66]

However, a recent review of the OIF by the OEP[67] has revealed an urgent need for environmental baselines to be established, with the finding that a majority of the 66 indicators have yet to be fully realised; leading to significant gaps hindering the ability to monitor progress within the 25YEP/EIP framework. While the OEP acknowledges that the creation of the Natural Capital and Ecosystem Assessment (NCEA)[67] is a step in the right direction with regards to gathering the much-needed data, it still underlines the need for other monitoring programmes to be developed to fill the gaps. The Government has said that the OIF will be reviewed, at a minimum, every 5 years as well, and it is set to be reviewed and updated in 2024.[67]

Investment in a number of databases, research projects and tools to facilitate monitoring of the state of the rural environment, including farmland and woodland, and changes occurring over time, has been considerable in recent years, especially in relation to biodiversity. Nonetheless, there is further to go to provide the depth of understanding required to fine tune agricultural schemes to increasingly specific environmental objectives and to fully address the various trade-offs involved. For example, in relation to soil quality, the Government recently replied to a report from the House of Commons Environmental Audit Committee in the following terms:

"*National soil monitoring under the Natural Capital Ecosystem Assessment (NCEA) Programme began in 2022. Up-to-date and comprehensive soils data is a priority of the programme; provisional updates will be produced from 2024 contributing to a comprehensive baseline for soil health by 2028.*"[54]

The Office for Environmental Protection (OEP) has commented unfavourably on the lack cohesion between the goals and framework laid out in the EIP and the accompanying Outcome Indicator framework (OIF) and strategies developed by Defra.[68] The OEP's **2022 annual monitoring reports** on England's progress against agreed environmental goals states that: "*The increasing ambition in environmental strategies and policies must go hand in hand, with timely evaluation of implementation*" (building block 4, point 9). The report also reiterates not only the insufficient monitoring of the environment but urges that "an environmental baseline would provide an invaluable reference point" (building block 6). Like other bodies, the OEP underlines the central importance of ELMs in delivering targets set in the EIP and elsewhere, as discussed further in **Chapter 6**.

6 UPTAKE AND IMPACTS OF ELMS
AND RELATED SCHEMES

This chapter is divided into six sections. The first section provides an overview of the uptake of ELMs and related schemes being offered by Defra. The second section addresses their environmental impact and progress towards meeting environmental objectives, while the third and fourth turn to the questions of financial and farm income impacts. The fifth section explores the impact this transition period may have on food security and the final one considers the outlook for the ELMs programme.

6.1 *Uptake*

As the schemes in the FCP have been developed, targets for uptake have been set. The most recent overall targets were summarised by Defra in the updated Agricultural Transition Plan published in January 2024, with a broad rationale for the overall target being aimed at.

"*By 2028, to achieve our challenging targets, we need to see universal adoption of farming regulatory standards and at least 70% of farmers and land managers undertaking environmental land management actions alongside food production.*

This scale of uptake, along with universal compliance with regulatory requirements, is essential to support the actions that need to be taken to maintain domestic food production while:

- *Improving farm productivity.*
- *Improving water quality, biodiversity and air quality.*
- *Reducing agricultural emissions.*
- *Mitigating the impacts of climate change.*

By early 2024, we expect to be more than halfway to that target with 39,000 farmers in environmental schemes."[69]

The target for participation by farmers is not particularly high given historic levels of participation in agri-environment schemes. However, it had been exceeded by April 2024 with 40,700 farmers enrolled. Within this, the rate of recruitment into SFI has speeded up impressively.

Looking further ahead, the EIP published in January 2023, stated that the Government was aiming for between 65% and 80% of farmers and landowners to have adopted "nature friendly farming" on 10 to 15% of their land by 2030 to allow sufficient progress on environmental objectives. This is more concrete but open to some interpretation, as regards the **definition of nature friendly farming**. For example, it could mean that most farms have blocks of land that are enrolled in higher tier schemes, or managed in an equivalent way, or are farmed organically. In the January 2024 update, there is a reference to farmers choosing to have at least 10% of the holding working for nature, with the remainder increasingly efficient and productive. This suggests a more polarised pattern of land management but within farms as opposed to a regional scale. Other uptake targets include the aim to "take forward" twice the number of Higher Tier type agreements than at present by the end of 2025/2026.

The limitations of broad take up rates have been referred to already and some stakeholders are not convinced by the 70% take up target. For example, the CLA, in written evidence to the EFRA Committee has commented that this 70% target was not specific and measurable, and even runs in contrast with Defra's intention of having the ELMs schemes be flexible and led by demand.[70] To get a deeper perspective on stakeholders' views and information on scheme uptake, please refer to **Annex Seven**.

Actual levels of uptake mostly are reported in terms of numbers of agreements signed (not necessarily the same as the number of participating farmers), area enrolled and related levels of expenditure in the annual report on the programme published by Defra. Data on the total area of land enrolled is now available by scheme and by individual actions for CS, Environmental Stewardship and the 2022 and 2023 versions of the SFI. For CS there is a geographical breakdown as well, distinguishing between county level units. This data covers the period to 1 April 2024 and is available **here**.[71]

An overview of recently published uptake figures, taken from Defra sources unless indicated otherwise, is given in **Table 6**. Uptake and expenditure on the two major grant schemes are included as well to give some impression of their scale.

In the initial years of the Transition, the SFI was in its pilot stage and uptake was limited, with fewer farmers participating than Defra had expected. The main growth - in the number of agreements signed between 2019 and 2022 - was within Countryside Stewardship (see **Table 7**), with the Middle Tier being the most widely taken up. The number of agreements roughly doubled in three years. SFI by contrast, started with a small intake for the pilot scheme and is now building up quite rapidly, with Defra expecting a large new cohort of entrants in 2024, reporting a total of around 17,000 in a recent blog.[73] Contrasting with this, the number of more demanding higher tier agreements signed has been much lower (see **Table 6**).

Table 6 Overview of uptake of various schemes from 2023/24 period

Scheme	Status	Number of farms/agreements
All legacy agri-environment schemes	Ongoing	41,100 (1 April 2024) – For both CS and ES
Simplified CS agreements (87% of which are mid-tier)	Ongoing	35,100 (as of 1 April 2024)
CS Higher tier	Ongoing	2,700 (as of 2023)
CS Higher Tier Woodland	Ongoing	1,500 (as of 2023)
ELMs National Pilot	Ongoing	826 (as of 2023)
Landscape Recovery round 1	Ongoing	22 (as of 2023)
Farming in Protected Landscapes	Ongoing	1397 (as of 2023)
Farming Innovation Programme	Ongoing	134 projects (£136m) (as of 2023)
Farming Investment fund	Ongoing	>11,000 grants (£120m) (as of 2023)
SFI 22	Ongoing	3,200 (1 April 2024)
SFI 23 (current scheme)	Ongoing	23,200 (29 July 2024)

Source: Agricultural Transition Plan update January 2024,[69] and Defra Farming Blog,[72,73] Defra Official Statistics[92]

Table 7 Number of AES agreements in England

No. of agreements in England (nearest hundred)	2019	2020	2021	2022	2023
Countryside Stewardship scheme 2014	13,800	17,700	20,100	25,000	34,900
Sustainable Farming Incentive (SFI)	N/A	N/A	400	2,200	17,100 (both SFI22 and 23 cohort)

Source: Defra, 2022,[74] Defra Official Statistics[92]

In terms of total area enrolled, the picture is different with a decline after 2017 reflecting the uncertainties following the referendum in 2016 and stasis in agricultural policy, only reversed in 2021 when the Transition Plan started, and the new approach was being activated (See Table 8). Schemes included within the data reported in this table are: Organic Farming, Environmentally Sensitive Areas, Environmental Stewardship (Entry and Higher level), Countryside Stewardship (both 1991–2014 and 2014–present) and the Sustainable Farming Incentive.

Table 8 Area of land enrolled under agri-environmental schemes in England

Year	2017	2018	2019	2020	2021	2022
Area of land (million hectares)	3.16	2.78	2.84	2.79	3.04	3.57

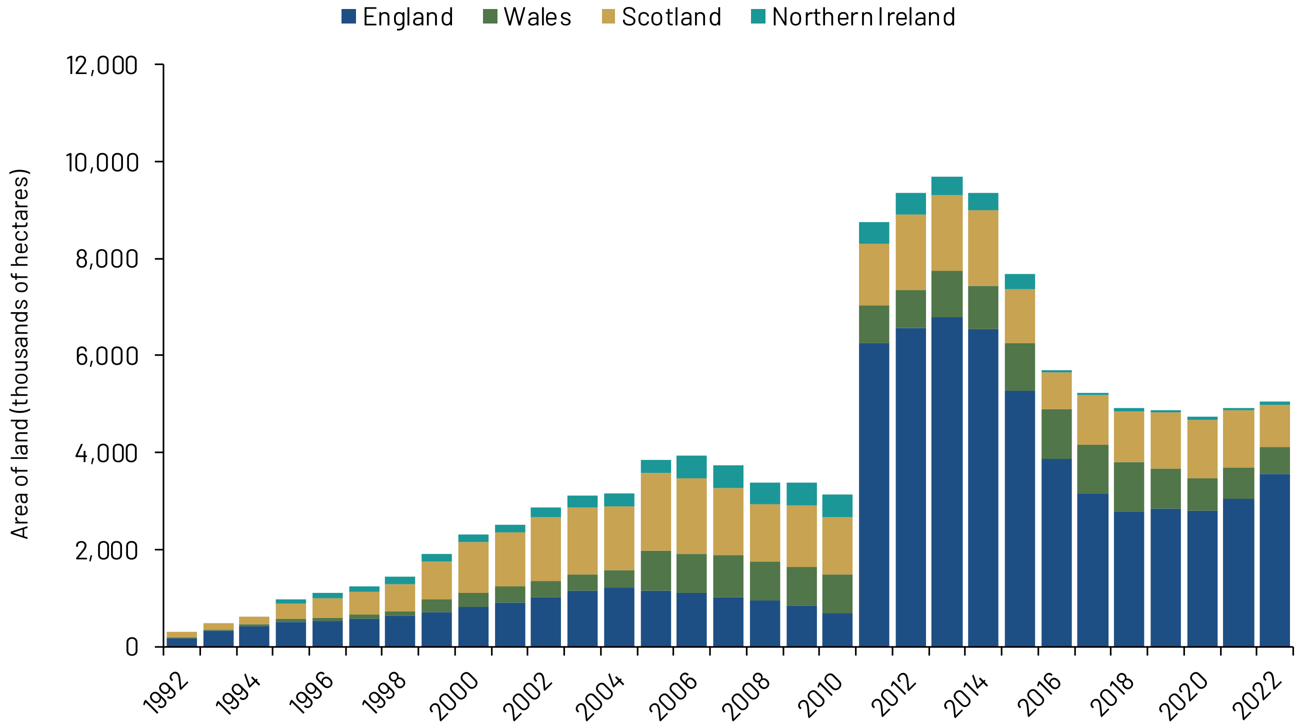
Source: OEP Methodological Statement[75]

The picture is different when examining only the higher-level or targeted agri-environmental schemes including Environmentally Sensitive Areas (ESA); the higher tier elements of Countryside Stewardship (CS); Higher Level Stewardship (HLS), and the Landscape Recovery Scheme. The NAO estimates that around 19% of the overall agri-environment budget is being allocated to the "more complex" schemes in 2024/25 (Annex Four).

These schemes mostly involve longer term agreements and are the ones most likely to be associated with the greatest environmental gains. The area of land being enrolled into these schemes in England increased after 2016 following a period of no growth (see Figure 5). However, the slow pace of recent enrolment in the current higher tier schemes suggests that this trend might look different in the next few years. Only 420 Higher Tier Countryside Stewardship schemes commenced in 2023 and the current rate of uptake seems unlikely to be higher in the immediate future. This reflects a lower priority accorded to recruiting into this scheme by Defra in particular and apparently limited capacity amongst Defra and its agencies, including Natural England and other bodies responsible for assessing and administering schemes to handle the workload required.

However, it raises serious questions about the ability of the ELMs programme to hit demanding environmental targets, especially for biodiversity. This is argued forcibly by some external experts, and stakeholders such as the RSPB and ECIU. For example, the RSPB, which owns and manages several farms, and many natures reserve itself, believes that the necessary level of take up into higher tier schemes is more likely to be around 3000 to 4000 farm holdings per annum.

Figure 5 Area of land enrolled under higher level agri-environmental schemes from 1992 to 2022 in the UK



Source: JNCC Biodiversity Indicators 2023[76]

At the more detailed level, uptake of individual options and actions by farmers in the SFI, where there is a wide choice, is skewed towards the least demanding measures with the most attractive payment rates, not surprisingly. For example, in SFI 2023, the most popular measure is the one that requires farmers to have a soil assessment, make a soil management plan and test soil organic matter. By April 2024, uptake of this had extended to 1.6 million hectares. By contrast, the option of establishing a grass buffer strip 4-12 meter wide in "improved" grassland (higher yielding and subject to ploughing and re-seeding) had been adopted on only 500 hectares.[71] The average SFI agreement contains 3 planning actions and 3 land-based actions.

6.2 *Environmental impacts*

It is not easy to assess the combined environmental impact of a set of incentive schemes such as those in the FCP, with both designed and unintended impacts needing to be taken into account as well as significant drivers from outside the policy realm, such commodity prices. Some schemes, such as Landscape Recovery and the SFI are still at an early stage of implementation. There are notable limitations in the both the baseline data and the datasets available to Defra to allow monitoring of changes in the environment and the influence of management practices attributable to participation in schemes on these changes over different timescales. There are technical questions as well about how far scheme objectives and targets can be measured with reasonable reliability and from a robust baseline, with soil related objectives being a case in point in England. At the same time, in the UK there is more environmental information available from a range of sources, including amateur naturalists, than in most countries and investment in monitoring is being stepped up. This will enrich the assessment exercise considerably.

However, filling in data gaps and deploying the right indicators and analytical tools to guide a complex programme with multiple objectives clearly is a priority. As noted in the previous chapter, Defra is investing significantly in its monitoring, analytical and data collection work but is still building its capacity to track all the critical aspects of progress and forecast outcomes and plot pathways to meeting the demanding SMART targets listed in **Annex Six** and prevent damaging trade-offs in the process. External scrutiny, not least from the OEP and NAO will add to the pressures to do this.

Unsurprisingly, at this stage it is too early to assess the environmental impacts of the ELMs measures and the wider policy transition in a holistic sense. Preliminary evidence tends to be confined to only a few areas like areas of new woodland established, often with little qualitative information to give a more rounded picture. Many environmental changes of the kind that the programme is aiming to address, for example a greater abundance of wildlife species and reduced nutrient levels in groundwater, only becomes evident over a period of many years. In many cases, the desired outcomes depend on maintaining a specified form of land management over a sustained period, not simply for a few years. Certain impacts can be measured in the shorter term, such as hectares of peatland re-wetted, number of trees planted, miles of new hedges established, inefficient technologies replaced, and areas of land converted to organic management. However, the flow of benefits from these steps often depends on maintaining appropriate forms of management over the longer term and embodying new norms in agricultural management, supported by appropriate skills, knowledge and infrastructure.

A considerable depth of data over a reasonable period will be required to evaluate the impact and value for money of individual schemes and options. The uptake data is just one of several building blocks required. For many land management options there are several parameters of relevance other than the area enrolled. As Defra has acknowledged in the case of habitat restoration for example, "*changes are needed at scale, but the habitats must be in the right place and have the right management. For that reason, many cases will require targeted advice and support to succeed*."[77]

At the strategic level, there are clear signs of a change in policy direction, evidenced by the progressive re-focusing of support policies documented here, the much-increased research and communication effort, the setting of more concrete targets, more frequent ministerial speeches, sustained interest in the media, and greater prominence given to environmental issues by other parts of the food chain as well as farmers. A vocal Nature Friendly Farmers network has emerged alongside established environmental NGOs and there are highly visible pioneers of re-wilding, such as Isabella Tree who has written a popular book about re-wilding of the high profile **Knepp Estate** in East Sussex. This shift in the wider culture has an influence on the farming community and their management choices as well, with potentially some being enthused and others more alienated.

Medium-term trends in environmental indicators in agriculture

This is against a background of variable medium-term trends in environmental indicators associated with agriculture and farmland. **GHG emissions** from agriculture have been relatively flat in the UK in recent decades, notably for methane emissions, at around 28mt of CO2 equivalent per annum. Agriculture represents about half the total national emissions of methane which are closely related to livestock numbers. About 71% of nitrous oxide emissions are derived from agriculture, with the largest portion attributable to direct soil emissions. Here too there has been little change in emissions since around 2009/10 and they rose slightly in 2021 relative to the previous year.[78] Land use, land use change and forestry (LULUCF) emissions were 0.8MtCO2e in 2022, having changed little over the last decade following a lot of technical adjustments to the methodology.

Ammonia emissions from agriculture are shown to be declining slowly in the published Defra indicator. However, they rose between 2020 and 2021 before a re-calculation of previous estimates and a technical report from the Rothamsted Institute shows only a 5% decline since 2005. There is a large **Nitrogen surplus** at the UK level, at 79kg/ha of managed agricultural land in 2022, an unusually low year. This is well above the OECD average, reflecting the intensity of agriculture as well as the practices used. However, it has diminished by over 25% since 2000.[79]

Most **biodiversity** indicators, such as those for farmland birds, have been in decline. The **index for all farmland species** in 2021 is less than half of 1970 levels.[80] The area of **organic farming** in the UK grew to reach a peak of around 700,000 hectares around 2009/2010, then declined to around 500,000 hectares by 2018 since when it has grown only marginally to 509,000 hectares in 2022. Most of the relevant data is published for the UK as a whole rather than for England but the trends are generally similar.

Most of the agri-environment type of indicators for which recent data are provided in the 2022/2023 Defra Annual Report and Accounts[81] show either modest or little progress up to about 2022/2023, the most recent year for which data is provided. Only 16% of water bodies and 14% of rivers meet good ecological status criteria, although this is not a problem unique to the UK. More encouragingly, the target length of enhanced and protected rivers and groundwater has been more on target at around 2,000km a year and exceeded in 2022/2023. The target for tree planting is in the range of 7,500 to 10,000 hectares per annum up to 2025. The best achieved recently was only 3,128 ha in 2022 and before that around 2000 ha per annum. This is a long way below the desired level.

The area of **priority habitat** being created or restored is impressive in a good year, such as 2020, in the period before ELMs were underway, but seems to vary between years dramatically requiring further information and understanding.

Progress towards meeting environmental objectives

Turning from the current state of the environment related to agriculture to the prospects of meeting the objectives and targets in the EIP, applying from 2028 onwards, there is clearly a considerable distance to be travelled.

The ELMs measures and their predecessors are driving a range of management choices which are now growing in scale in the sense that the number of live agri-environment agreements is now on an upward path after a slump and in 2024 is larger than last seen in 2015 for the first time. A variety of schemes are in play (see Annex Three for a snapshot of uptake and other achievements in the relatively early 2021/22 period assembled by Defra). **Longer term results** can be expected from the higher tier measures and the Landscape Recovery programme, which is getting underway on a relatively limited scale but should secure major environmental gains in well targeted locations.

Given the many uncertainties at this stage, there is room for differences in view as to the state of progress in meeting environmental objectives, especially for outside observers who do not have access to the full range of data, observations and judgements available to the Government. Defra officials managing the FCP have regular meetings with their counterparts in other divisions or ministries who are responsible for environmental themes, such as water quality to discuss progress and do not dismiss the challenges in meeting the current targets, some of which look demanding to most experts including the OEP. However, there is no obvious evidence of Defra seeking to row back from the targets or suggesting that they are too difficult to meet, although there will be an opportunity to do so during the current rapid review of the EIP. They are clear that meeting targets requires a higher level of take up and are seeking to secure this, especially focusing on SFI at present.

Defra recognises that the **regulatory baseline is an important variable**. Ministers have not proposed to raise this and in fact it has been weakened with the removal of cross-compliance. There is no conditionality in the sense that farmers entering the new SFI scheme do not have any special obligation to comply with regulatory standards. This could make the targets harder to reach unless it creates enough goodwill in the farming community and lowers barriers to engaging in voluntary schemes. However, as noted earlier, the number of Environment Agency farm visits has been stepped up sharply and a strategy of trying to improve compliance through persuasion backed up with capital grants is underway.

In addition, some **flanking policies** have been introduced to bolster the main FCP schemes. These include:

- The recent increase in budgets for certain investment aid schemes, some of which address barriers to new investment urgently needed for environmental purposes, such as increasing the capacity of slurry stores.
- An alteration of the rules governing inheritance tax in March 2024, expanding the current favourable treatment of agricultural and forestry land to include more natural habitats arising from land previously farmed. This is intended to remove one of the barriers to the restoration of habitats on farmland.
- Active encouragement of private sector initiatives potentially providing a new income source for supplying public good, as referred to in Chapter 3. The Biodiversity Net Gain

policy instrument, which will result in new areas of habitat being created, mainly on farmland, should be running in the next year or two, although it is not expected to make an impact outside small areas.

Uncertain pathway to meeting targets

Looking ahead, there is frequent criticism of the lack of a clear pathway from the Government showing how the elements of the FCP will help to meet environmental targets as a whole as well as individually, especially those with specific dates attached to them. At present this looks a significant gap in the strategy.

While Defra runs **internal modelling exercises** to explore the rate of progress and levels of take up of different actions, practices and other changes that they judge to be required at farm level, these are not disclosed externally. Therefore, it is difficult for outside observers to judge how robust plans and projections are. The **current target of 70% of farmers** or land managers enrolled in SFI by 2028, often is cited as not specific enough, with Defra failing to provide any interim milestones or modelling for this target.

The OEP has been critical of the lack of a clearer roadmap and the chair recently has announced that the OEP wants to "*see and measure the extent to which [the] Government is right in assuming that delivery of the schemes in the way it envisages will meet its target aspirations*". For this purpose, it is starting a programme of work to look at ELMs in sufficient detail to "*help to assist Government in assessing for itself whether or not it's likely to meet its aims*."

Central to the Defra approach is **building up the motivation of farmers** to sign up to schemes as they are now and then, once they are comfortable with participation, to persuade them to enter more demanding agreements over time as well as increasing the total area covered. Building confidence in the new model as an income stream therefore is critical. However, that does require a certain stability. The CLA has argued that prioritising simplified targets, while reducing the barriers to entry for farmers, might not deliver what was intended in the long run – which could result in popular schemes being withdrawn. Such was the experience of the transition from Entry Level Stewardship to Countryside Stewardship.[82]

On the other hand, failure to attract enough participants would be hazardous to the programme as well as to meeting targets. There would be likely to be an environmental cost of failure to secure increased enrolment, so the stakes are high. A recent EFRA report[83] noted concerns that, with the decline in Direct Payments, farmers could resort to other forms of potential income generation that are harmful to the environment, for instance ploughing up grassland to expand arable crops or increase intensification more generally.

In addition to participation rates, the **design of schemes also is a critical variable**. Achieving the right outcomes in the right places will be essential. In 2023, the RSPB gave the example of the very popular SFI SAM 3 action which requires the creation and management of "herbal leys" which are rather loosely defined. This has been easily the most popular SFI measure absorbing about a quarter of the total value of live SFI agreements in 2024, which is very likely to be excessive relative to their environmental value. The CLA has emphasised the importance of consultation and co-design in relation to the essential design issues of measures such as SFIs and not only the details of individual actions for example.[70] Amongst the difficult issues lying ahead is the options arising when a voluntary agreement ends and how farmers respond to them. This could be a significant long-term challenge.

Successful targeting is one of the most important of these design issues in voluntary schemes such as ELMs where farmers have a choice and do not necessarily select the most appropriate actions in environmental terms. The locations, combinations and sequences of management options have a significant influence on the effectiveness and value for money of the interventions. This is an especially important consideration in schemes with large menus of options and extensive freedom to select actions that suit the farm business rather than the environmental priorities, with SFI being a prime example. This was recognised by the NAO in their **report**, which acknowledges the need to balance enrolment volume with the quality of environment actions. The philosophy of the 2023/24 model of the SFI has been to avoid prescriptive measures or targeting mechanisms or special incentives to secure a particular combination of measures. However, Defra concedes that more targeting, selective premiums and rules may be required in order to secure the necessary outcomes.

Initial steps in this direction have been taken with the new SFI combined offer and the introduction of Premium payments but further targeting is necessary in the view of most environmental experts. Defra is planning to move further in this direction. Exactly when it will do so is less clear.[84]

Advice and guidance

Expanded and better targeted schemes should be reinforced by **greater provision of advice and guidance**, encouragement of collective schemes and a more coordinated approach with those purchasing farm products for the supply chain. The level of advice required as schemes become more complex and with unfamiliar options is considerable and the relatively sparse supply is one of the barriers to take up.

The Government could go further in supplementing the role and impact of voluntary schemes with additional interventions. These might include strengthening the relevant environmental regulations and the seriously sub-optimal levels of enforcement, changes in tax regimes, including taxes on inputs such as fertilisers for example, adjusting trade agreements, incentivising private actors and investors, within and beyond the food chain, to play a larger role and finding ways to influence consumer behaviour. The Government has pursued some of these options but has steered away from others such as taxes on inputs and keeps deferring a promised land use strategy for England, which could be a helpful tool. The OECD has suggested that a considerable expansion of additional measures is required, possibly including emissions pricing and demand side interventions to achieve a substantial reduction in GHG emissions, especially from methane. It is difficult to see the current ELMs measures making a large impact on these emissions on their own.

Questions about the road ahead

The independent **Climate Change Committee** is not convinced by the Government's plans to reduce GHG emissions in the agriculture sector. With respect to the necessary productivity improvements expected to be achieved via ELMs and associated funding, it argues that there is a risk that these may not be delivered at the scale and pace required because the measures are voluntary, often competitive and do not prioritise actions for climate over other objectives.

Two central questions for the next stage are first whether the flexibility available within SFI is too great to secure sufficient environmental outcomes and second how fast the current portfolio of higher tier agreements can be expanded to address the more demanding environmental requirements. As noted above, the SFI is designed to provide an accessible entry into agri-environmental actions for farmers, with the hope that they select progressively more ambitious options over time, including moving more into higher tier schemes. This is expressed by the decision to enable SFI 2024 agreements to be reviewed annually, under the condition they are reviewed "upwards" only – meaning expanded numbers of actions or areas entering into the agreement. This mechanism remains to be tested. There are also well-grounded concerns in many quarters including the NAO that without any limits set, the popularity of SFI could "crowd out" funding for these high-tier and more ambitions schemes – culminating in environmental outcomes which are less than expected.

The greatest environmental value added is derived from the **higher tier schemes** as stressed by all the independent environmental bodies offering evidence and views on the FCP in recent years, including stakeholders such as the RSPB and Wildlife Trusts. A similar view is stated more privately in Defra agencies, including Natural England. Moreover, the NAO also highlights that these higher tier schemes reflect a more significant return in environmental outcomes. There is therefore widespread concern about the relatively low number of new higher tier agreements signed in England in recent years and the lower priority given to higher tier CS. Current enrolment numbers into the CS mid tier far exceed those in the higher tier (with Mid tier agreements accounting for 87% of all CS agreements) and Defra agrees that more effort and budget needs to be directed into the higher tier CS agreements. This means addressing the bottlenecks which have prevented this, including deployment of sufficient professional staff in Defra and the agencies.

The challenge has been laid out clearly by the RSPB which argues that "*to hit the 2030 species abundance target for example, research shows at least 40% of farmers would need to manage 10% of their land under wildlife options*".[85] This 10% level has only ever been achieved through higher level schemes, with farmers opting to manage 3-5% in lower tier or lighter green schemes. Analysis undertaken by RSPB, BTO and Natural England suggests that even if 100% of farms managed 3-5% under wildlife friendly options this would not enable species recovery. Based on this research: "*FCP needs to scale investment in higher tier from 300-500 agreements per year now, to 3000-4000 in the run up to 2030 if they are going to hit their legally binding targets*".[85]

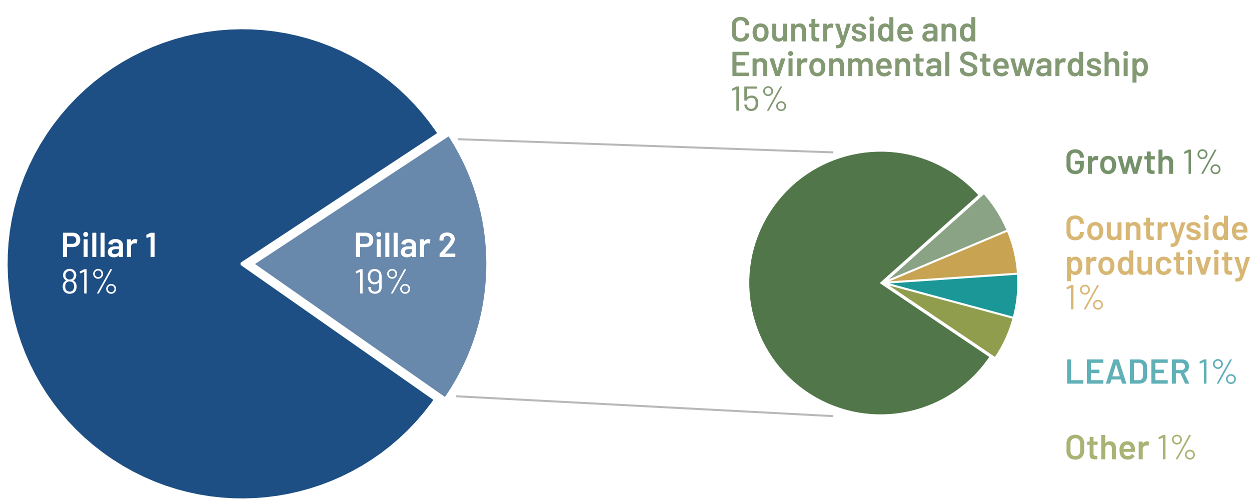
Irrespective of whether the scale of effort required is at exactly this level, the force of the argument is clear. Many have argued that, drawing from insights of past agri-environmental schemes, a scheme too focused on uptake by being simple and practical runs the danger of failing to provide value for money and delivering sufficient long term environmental outcomes.[83] A clearer pathway to more ambitious delivery on the environment is required.

6.3 *Financial impact of the schemes*

This section provides a brief analysis of the financial impact that the introduction of the Agricultural Transition Plan has had since 2020, primarily on public expenditure and the funding allocations for different schemes within the farming budget.

The composition of the agricultural budget in England has changed significantly since the beginning of the Agricultural Transition – but much less in other parts of the UK. In the agricultural budget for England before the transition, over the 2014-2020 period, Direct Payments (which consisted of the Basic Payment Scheme, Greening and The Young Farmers Scheme) constituted 81% of the total under the CAP, with the remainder allocated to Pillar 2 (19%) (see **Figure 6**).

Figure 6 Allocation of England's CAP funding between Pillar 1 and 2 over the 2014-2020 period



In the chart on right, "Growth" represents the Growth Programme, and "Countryside Productivity" represents the Farming & Forestry Productivity support measures.
Figure adapted from Defra, 2018

This has changed over the course of the transition, with funding allocated to Direct Payments in England in the 2022/23 period decreasing to £1.384 billion (see **Table 10**), a 24.1% drop from where it was in 2020 (see **Table 9**). With the FCP budget set to remain at an average of £2.4 billion per annum during the period (though only £2.23 billion in 2022/2023, as shown in **Table 11**), this has created space for the increased funding for other schemes within the "environmental, climate and animal welfare outcomes" thematic bucket – which includes both the "legacy" agri-environmental schemes (Environmental Stewardship and Countryside Stewardship) and the ELM schemes.

Table 9 Depicts the proportion of the agricultural budget that was allocated to England and other parts of the UK in 2020

	England	Wales	Scotland	Northern Ireland	UK
Coupled payments (linked to product)					
Scottish Upland Sheep support scheme	–	–	7	–	7
Scottish Suckler Beef support scheme	–	–	40	–	40
Total coupled payments			47		47
Decoupled payments (not linked to production)					
Basic Payment Scheme (inc. Greening)	1,823	257	430	293	2,804
Less Favoured Areas support schemes					
Agri-environmental schemes	–	–	30	–	30
Environmental Stewardship Scheme	164	–	–	–	162
New Countryside Stewardship Scheme:					
Agri-Environment-Climate	136	–	–	–	136
Glastir	–	44	–	–	44
Agricultural Environment Climate Scheme	–	–	12	–	12
New Countryside Stewardship Scheme:					
Organic Farming	5	–	–	–	5
Environmentally Sensitive Areas Scheme/ Environmental Farming Scheme	–	–	–	4	4
Rural Priorities/Land Management Options	–	–	2	–	2
New Entrants Scheme	–	–	2	–	2
Advisory services, farm management and farm relief	4.9	–	–	–	5
Other - Covid-19 support/recovery Fund (€)	1	1	–	21	23
Other - Farming Flood Recovery Fund	6	–	–	–	6
Animal disease compensation (income)	12	6	–	7	25
Total decoupled payments	2,152	309	476	326	3,263
Total payments	2,152	309	524	326	3,310

All figures are in nominal terms, £ million, unadjusted for inflation. Adapted from: **Defra, 2020**

Table 10 Breakdown of FCP total spending in financial year 2022/23

Scheme	Spend (£m)	Agriculture Act (£m)	Other legislative powers (£m)
Direct Payments	**1,384**	**0**	**1,384**
Environmental Stewardship and Countryside Stewardship	572	0	572
Plant Health	1	1	0
Environmental Land Management (ELM) Trials and Testing	3	3	0
Environmental Land Management (ELM) National Pilots	12	12	0
Landscape Recovery	1	1	0
Farming in Protected Landscapes	20	0	20
Nature for Climate Fund	12	0	12
Livestock Information Transformation Programme	25	0	25
Species Survival Fund	2	0	2
Technical Assistance	40	0	40
Total for environmental, climate and animal welfare outcomes	**688**	**17**	**671**
Farming Investment Fund	35	35	0
Institute for Agriculture and Horticulture	2	0	2
Farming Innovation Programme	15	0	15
Farm Resilience	8	8	0
New Entrants	1	1	0
Rural Growth and LEADER	58	0	58
CMO (Common Market Organisation)	39	0	39
Total for improving farm prosperity	**158**	**44**	**114**
Total scheme costs	**2,230**	**61**	**2,169**

All figures are in nominal terms, £ million, unadjusted for inflation. Taken from FCP Annual Report 2023.

As a first step, most of the funds diverted from BPS were diverted into legacy schemes in the period when new schemes such as the SFI were being built up. They were allocated £572 million in 2022/23, in comparison to £361 million in 2018/19. However, this will change as the SFI expands over time and new schemes will dominate over legacy ones. The majority of the FCP budget is expected to be allocated to the ELMs over the next few years, with 57% of the budget being assigned to them by 2024-2025, amounting to a figure of £1.368 billion – though report from NAO indicates this figure to be closer to £1.1 billion.[84] This will increase as Direct Payments disappear but there remains a lack of clarity about the scale of the agricultural budget beyond 2025 as noted already.

Earlier in the programme, in the 2021 ATP document, Defra proposed to divide the ELMs budget into three broadly equal strands, covering the three tiers – then described as farm level, locally tailored and landscape scale. This sub-division was abandoned as the SFI got underway and a more demand driven approach to allocating the budget was adopted. This is likely to result in the SFI consuming considerably more than a third of the budget on the present trends and it is not clear what mechanisms are in place to prevent the FCP budget from becoming unbalanced.

6.4 *Impact of the policy transition on farm incomes*

While the main focus of this report is on the impact of the expanding agri-environment schemes, at this stage it is difficult to isolate these from the wider policy changes, especially the scaling back of Direct Payments. Therefore, we consider a fuller picture in this section rather than restricting the scope solely to agri-environment schemes. The aim is to capture only some initial headline changes and impacts rather than to attempt any detailed analysis.

It must be kept in mind that the policy changes are relatively new and far from complete so early data and impressions will need to be revisited once the programme progresses further and much fuller analysis takes place.

The **phasing out of Direct Payments** clearly will affect farm incomes and can be expected to have a particularly pronounced effect in years with low farm output prices. New sources of income from agri-environment schemes under the FCP will not be a direct substitute, even if they build up to the same overall level of spend as Direct Payments and setting aside the fact that they will be distributed differently between farms. The Government has never argued that the agri-environmental schemes are to be considered as a direct compensation for the removal of BPS payments although it emphasises their role in contributing to farm incomes. More precisely, the removal of the BPS creates the room in a broadly unchanged agricultural budget to fund other measures in the FCP.

The **marginal costs of complying with conditions** attached to Direct Payments, such as Good Agricultural and Environmental Condition (GAEC), in the past were relatively small, as confirmed by all stakeholders we spoke to – perhaps below 5% of the payment received on many farms. However, the costs of complying with agri-environment schemes will be higher and more variable, potentially changing from year to year on some farms as well as between enterprises and farm businesses. This underlines the fact that **agri-environment schemes are not designed as a direct substitute for the income lost from Direct Payments**, particularly on an individual farm basis. They will supplement income from the market and on an increasing scale but only in return for a supply of services, which will entail a rather variable set of costs at farm level. Therefore, farms also will need to increase returns from the market, not least by becoming more efficient, if they are to maintain or improve income levels without BPS payments.

This underlying position is understood by the key stakeholders, although of course it is not welcomed by agricultural interests and naturally they campaign to maximise support and payment levels through the new schemes. The NFU and others continually raise concerns about the impact to farm business income of the gradual withdrawal of Direct Payments and also support the growth in capital grant schemes which have proved popular. There is inadequate data to assess income impacts with any accuracy, but the **AHDB report in 2022** has been referenced as a useful gauge of early sentiment within the farming community regarding the impacts of the transition and farmers' plans in response to this. The report, which ascertained the perspectives of 34 farmers, found that levels of preparedness within the farming community for the impending removal of Direct Payments were mixed. The volatility in market conditions in this period and the high prices for milk and several other commodities coincided with the policy change and complicated perceptions of its significance.

The Government does not wish to see a collapse in the viability of large numbers of farms and this was a factor when Defra introduced the management payments into the SFI scheme and then raised payments for several actions in 2024. However, there are limits on how far Defra can or would wish to raise payments given the need to stay within a tight budget, respect WTO rules and gain Treasury support for increasing incentives. Navigating these trade-offs is a central challenge to the new policy.

Early experience of the withdrawal of Direct Payments

Experience from the withdrawal of Direct Payments is starting to accumulate but it does not represent typical years as several sectors have experienced relatively high commodity prices, which have masked the full impact of the winding down of Direct Payments. Amongst the farms covered in the Farm Business Survey in England, (larger commercial farms which account for most food production), average farm business income from all types, measured in real terms, rose from £55,000 in 2020/21 to £96,100 in 2022/23, with huge differences between sectors. For example, average incomes on dairy farms more than doubled between these two years, reaching £229,000 in 2022/23. On cereal farms average incomes doubled to £150,400, contrasting with the lowland grazing livestock producers where average incomes advanced only from £19,950 to £24,600. The only category where average incomes fell was LFA grazing livestock where average income fell from £35,300 to £25,400.

However, these were exceptional years and a major reversal in average farm business income is expected in 2023/24 according to recent Defra data. Forecasts last updated in July suggested that average incomes in several key categories were expected to drop sharply, in the case of cereal farms to £34,000, approximately a quarter of the previous year.[86] Against this pattern, average incomes on both lowland and LFA grazing farms were expected to increase slightly.

While the distribution of the BPS on a per hectare basis favours bigger farms and landowners – thus putting both smaller and tenanted farms at a disadvantage – the gradual phasing out of the payment will undoubtedly have a significant impact on the entire sector. However, the removal of the payments is likely to trigger management and structural changes and diversification which together complicate the picture but are not easy to forecast.

Defra believes that Direct Payments have tended to stifle productivity and competition within the agriculture sector[83] and have represented poor value for money, a perspective shared by many agricultural economists in the UK. Their assumption is that farmers will seek to compensate for the loss of direct payment by raising productivity, although the NAO points out that evidence to support this view is inconclusive. In addition, Defra sees the phasing out of Direct Payments to be a catalyst for a higher turnover in the agriculture industry (meaning more entries and exits amongst farmers and other land managers), with new entrant farmers assumed to be more productive. Reductions in rents for farmland can be expected and there are reported to be some initial examples of this.

Farm productivity and Direct Payments

It has been noted already that **total factor productivity in UK agriculture** has grown at only around 1% per annum since 1991, which has been lower than the EU average, although the share of Direct Payments in total agricultural support has been lower in the UK than the EU average. Undoubtedly there is scope for a faster rate of productivity growth and it will be necessary to maintain the future viability of farms, but the question remains how far this will be achieved. There is some discussion of this point and the modelling work undertaken by Defra to establish how far productivity would need to improve to maintain the viability of existing farms in the recent NAO report on the FCP.[84]

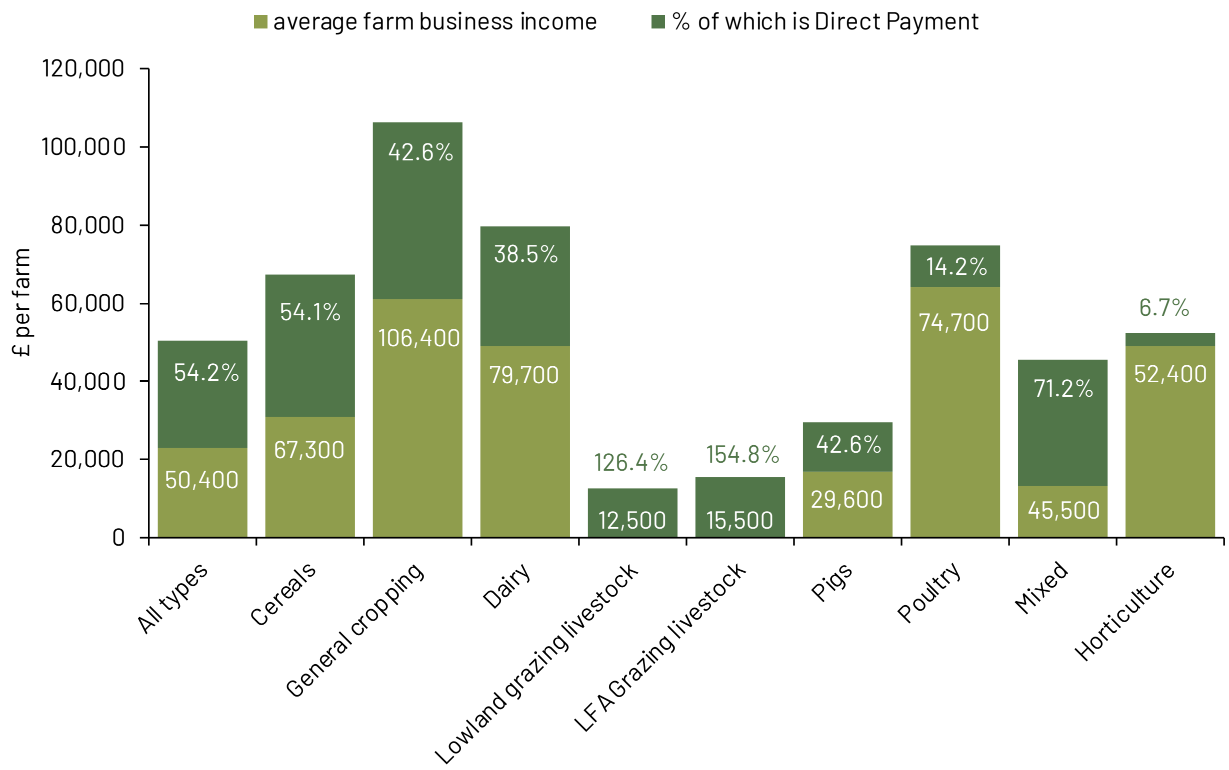
Defra expects farms to become more productive and more concerned to adopt best practice and accepts that this will require significant investment in many cases, strengthening the rationale for capital grant schemes and other measures to support this. Taking 2021 as a baseline, Defra's current aim is to boost farm business productivity by 4% by 2028 and by another 15% by 2048. Greater efficiency, including in the use of inputs and machinery, more use of new technologies and automation, improved animal health and nutrient management, better business planning and accelerated diversification are all expected to play a role. Better environmental management may improve profitability in a variety of situations, for example where there is scope to reduce stocking densities while improving profitability per animal. The largest increases in productivity are required on livestock grazing farms if they are to remain viable.

Land agents and other observers tend to agree that there is room for productivity improvements and that many farms could be leaner businesses, but also point out that this will have implications. For instance, there may be reduced employment in some roles and less time available for tackling unremunerative tasks, including environmental ones, such as managing hedges. As noted earlier, there is criticism that the scale of the capital grant schemes currently on offer is small compared to the number of farms eligible to apply and the needs they have. For example, there were 4,529 successful applicants for the Farming Equipment and Technology Fund[84] – compared to over 100,000 farm holdings in England. As pointed out in **Chapter 3**, the budgets available for these grants are relatively small as well, although increasing substantially from the £137 million allocated in 2023/24.

Impact of declining Direct Payments on different farm types

The decrease in Direct Payments is not impacting all farms uniformly, with those in certain sectors being hit harder and this will continue to be the case. This is evident in **Figure 7**, showing that Direct Payments constituted a significant portion of farm business income (Farm Business Income: Represents the return to all unpaid labour and to all their capital invested in the farm business including land and farm buildings, **Defra 2020**) in 2018/19 across England, particularly for the Less Favoured Area (LFA) Grazing Livestock (155%) and Lowland Grazing Livestock categories (126%), neither of which generated any income from agriculture. Even for the average farm, Direct Payments made up 54.2% of farm business income.

Figure 7 Average farm business income across various farm sectors in England, along with the proportion of income from Direct Payments in 2018/19

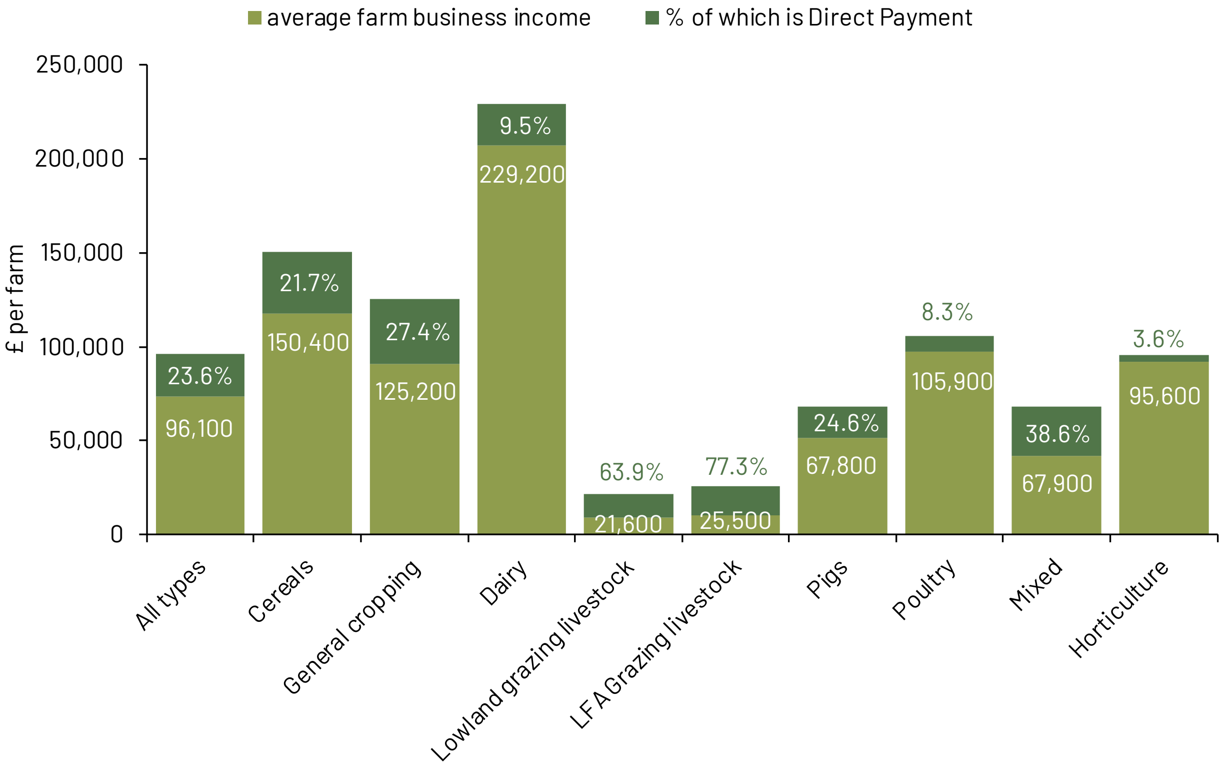


Source: **Defra, 2019**

According to Defra's calculations, 42% of all farms would have made a loss[83] (cost exceeding revenue) over the period of 2014/15 to 2016/17 if not for Direct Payments – a contrast to the 16% of farms which made a loss even with Direct Payments included. Furthermore, farms which made a loss without Direct Payments during the period of 2014/15 to 2016/17, would have needed to reduce their cost by 11% to break even. This is more pronounced within the LFA Grazing Livestock sector, where half of the farms would have needed to reduce their cost by more 16% to breakeven.[83]

Data derived from the leading survey in this field, Farm Business Income in England, reveals a decrease in the proportion of Direct Payments to total Farm Business Income, as expected, in 2022/23, a couple of years into the reduction of Direct Payments (see **Figure 8**). This is reflected by the drop from 54.2% to 23.6% in Direct Payments as a proportion of total farm business income for all farm types (2019 vs 2022). However, Direct Payments still remained a significant proportion of farm business income for farms in the Grazing Livestock in Lowland and LFA sector – 63.9% and 77.3% respectively.

Figure 8 Average farm business income across various farm sectors in England, along with the proportion of income from Direct Payments in 2022/23



Source: Defra, 2024

The phasing out of the BPS scheme provides the main explanation for the decreasing proportion of Direct Payments in farm business income. Other factors such as higher market prices, increasing diversification on farms, increased efficiency, including through reduced input consumption and better investment options and improved monitoring and marketability of outputs, together with participation in ELMs also could be expected to account for some of the change (see Defra's official farm statistics for 2022/23). This echoes the findings of the 2022 report by AHDB, in which diversification, entering ELMs, and improving efficiency were the key strategies identified by farmer interviewees for coping with the loss of Direct Payments.

There has certainly been an increase in average farm income from agri-environment activities across farm types in England (see Table 11). The table illustrates a rise in income from AES from 2020/21 – when BPS was beginning to be reduced – to 2022/23, with poultry farms being the exception. Cereal, general cropping and horticulture farms have seen the largest increase from agri-environment schemes in this period – more than doubling their income from these activities since 2020/21. This income will rise along with the ELM budget.

Table 11 Average income from agri-environment activities per farm (£/farm) by farm type, England 2020/21 to 2022/23

Farm type	2020/21	2021/22	2022/23	% change from 2020/21 to 2022/23
Cereals	5,400	5,900	11,600	113%
General cropping	4,700	13,200	12,400	165%
Diary	5,400	4,700	7,400	36%
LFA Grazing Livestock	10,400	12,300	12,900	24%
Lowland Grazing Livestock	3,700	5,000	6,600	76%
Pigs	2,200	3,500	3,600	65%
Poultry	2,200	3,200	2,200	1%
Mixed	6,600	7,400	10,100	53%
Horticulture	800	1,100	2,100	152%
All farms	5,300	6,900	9,200	73%

Source: Defra,2024

Looking ahead, Defra's forecast is not the only source suggesting that an increasing cost-price squeeze is set to exert pressure on farm business income in the coming year. This is attributed to the falling prices of a number of key outputs, notably milk and wheat, accompanied by higher costs for many inputs, including labour. An exceptionally wet winter has aggravated the position. Provisional Defra estimates quoted above suggest that average farm incomes for cereal, general cropping and dairy farms could drop by 58-78% in the coming year. BPS payments will fall to approximately 40% of their former level but at the same time average income from AES, for all farms, is forecast to rise to £15,000 – an increase of 60% from the previous year when the equivalent was £9,200, (as shown in **Table 11**). This raises the question of how the position will look in a "typical" year in future and how far there will be scope to buffer farm incomes from extreme fluctuations if these occur in future.

One longer term indicator of viability is **land prices**. Land is a core asset for most farmers and protecting its value is often a core concern alongside income levels. Relatively little agricultural land is bought and sold each year in England but monitoring of the market by private land agents yields interesting information. Strutt and Parker publish an annual review of the English estates and farmland market. The most recent edition, for 2023, reveals that both arable and grassland prices rose between 2020 and 2023, by about 21% in the case of the former and 16% for the latter.[87] The review also remarks on changes in the types of buyers acquiring agricultural land. The authors suggest that there has been a growth in the proportion of land acquired by private and institutional investors and "lifestyle" buyers while commercial farmers have bought a declining share of the land on the market.

6.5 *Impacts of policy transition on agricultural production and food security*

Both food security more generally, and food production more specifically, have been on the political agenda in the UK in recent years. This has been particularly attributed to the global supply and price fluctuations, the sharp global disruptions and fertiliser price spikes early in the Ukraine war. The stresses of the Covid epidemic and the increased uncertainty arising from the UK's departure from the EU and the adoption of new agricultural policies – especially in England – have further compounded this. As elsewhere, there have been significant fluctuations in the price of some foods, but the supply chains held up well during the covid crisis. A new system of reporting on food security to Parliament has been instigated since the departure from the EU, put on a statutory basis and deploying data assembled by Defra.

Recent Government initiatives on food security

The Government has selected a number of **indicators as a measure of food security** and these have depicted a fairly high level of food security in recent years, taking account of the indicators chosen. These are a combination including global supply factors, domestic production and biosecurity arrangements. Looking ahead, it is acknowledged that there are threats such as climate change to be managed while the current policy is to pursue resilient and increasingly efficient production systems within the UK, maintain broadly the current level of self-sufficiency and to maintain robust supply chains from abroad, not least through appropriate trade agreements, including with the EU, the largest source of supply.

The Government is required by Section 19 of the Agriculture Act to provide "*an analysis of statistical data relating to food security*" every three years in a cycle – which is presented as the UK Food Security report.[87] The **first report** came out in late 2021, providing a detailed statistical analysis of a range of trends and indicators under three main themes. These were global food availability, UK food supply sources, supply chain resilience, food security at household level and food safety and consumer confidence. The conclusion was that the UK enjoyed a high degree of food security, principally because of a combination of “sustained healthy production “and “positive trends” in global output growth. Both factors are clearly important in a country with a growing population and dependency on imports for about 40% of food requirements.

The **Food security report** reinforces the rationale for maintaining the present share of domestic production in UK food consumption and around 75% of food that it is possible to grow in British conditions (excluding tropical fruit and coffee for example). In its relatively positive tone the report contrasts with some of the media reporting of vulnerability to imports and that of the independent food strategy prepared by Henry Dimbleby which had drawn attention to several other concerns regarding the food system, such as poor dietary health, obesity, child poverty, excessive consumption of less healthy foods, the challenge of securing the best uses for limited land available and the impact of the UK’s recent trade deals on the prospects for domestic livestock producers.

Complementing the UK Food Security report (UKSFR) is a new annual **Food Security Index**, again based mainly on statistical data sets, the first edition of which was published by the Government in May 2024. This index has the same overall frame but focuses more narrowly on only 9 relatively broad, indicators – and can be found **here**. The indicators are:

- Global food supply for human consumption.
- Share of global cereals and soyabeans traded internationally.
- Production-supply ratio.
- Agriculture total factor productivity.
- Agricultural land use.
- Energy and fertiliser prices.
- Agri-food sector business investment.
- Biosecurity risk.
- Consumer confidence in food supply chain actors.

In each case, the most recent trends were assessed by Defra as broadly stable, with the exception of total factor productivity and energy and fertiliser prices which were scored as “some reduction in risk” because of developments over the year.

Debates on the impact of new environmental policies on food production

This relatively reassuring picture of food security has not prevented a debate about whether there will be a future decline in domestic production, with some farmers in particular fearing that the new policy direction in England could help to bring this about. Relevant factors could be the uncertainty created by policy changes in recent years, the possibility of lower confidence and willingness to invest amongst the farming community, the potential transfer of some land out of mainstream agricultural production into partially or wholly conservation uses, including woods and restored habitats and increased use of less intensive systems, ultimately implying fewer livestock. This narrative has had some prominence in 2023/2024, given the decline of Direct Payments, the growing scale of uptake of ELMs, and the recent popularity of some SFI options which have allowed the removal of a few whole farms from food production to focus on conservation measures with relatively high payment rates, such as growing winter bird food.

As discussed in the review of the SFI scheme in Chapter 3, this spike in uptake arose in the agronomically challenging winter of 2023/24 because of the lack of restrictions on the area of a farm that could be enrolled in these and other SFI actions. This meant that until the end of March 2024 farmers was able to take unlimited proportions of their land out of production for a period. This has changed, with Defra putting a cap on the area of a farm that can be devoted to a recently expanded list of actions that are either weakly or not at all associated with food production. A further group of actions judged potentially in conflict with food supply objectives if adopted on a large scale have been put on a "watch list". However, the scale of this phenomenon sometimes has been exaggerated and Defra has stated that only 1% of SFI 2023 applicants had entered into actions that took 80% or more of their land out of food production.[89]

Moreover, **Defra still views food production as the main purpose of farming**, and there is the continuing commitment to keep current levels of food production at around 60% of what can be produced in the country. With some annual variations this has been the level of self-supply achieved since around 2005.

Regarding the expansion of ELMs, Defra anticipates that most of the **land moving out of agriculture** will be amongst the least productive in terms of food supply and the impact on output will be proportionately much smaller than the scale of land being removed. Furthermore, the concentration of more environmentally focused management changes on the least productive land can in principle be accentuated by greater targeting of SFI and other schemes on this land (but necessitating a more determined targeting process than has been evident to date). This expectation is well founded, based on past experience and economic logic but it is too soon to establish how significant the land withdrawal effect could be over the longer term. Data on the overall area of agricultural land in the UK and the land devoted to key crops is published annually, for example most recently in "Agriculture in the UK 2023". It has shown no sign so far of a persistent shrinkage over and above the usual loss of land to urban uses – but it is early days to assess the impact of the policy change.

Looking ahead and assuming success in enrolling 70% of farms in ELMs, there will be some loss of output because of land being withdrawn and some growth in less intensive systems. Defra has estimated that to compensate for this loss of production and keep domestic agricultural output at its present level, **productivity would need to grow** in future at slightly below the rather modest average growth rate achieved over the last fifteen years. To keep output per capita at the current level with a population increase on the scale expected would require a slightly higher rate of annual growth than achieved over the last fifteen years.[84] This is considered by Defra to be feasible and will be assisted by the provision of aid for capital investment on farms at a growing scale (see Chapter 3) and also by the stimulus to efficiency that they believe will be provided by the removal of Direct Payments.

This is how Defra reconciles the tensions between greater environmental ambition and the need to supply a given proportion of rising domestic food requirements from national sources into the future. To this could be added the benefits of greater soil health, improved water, nutrient and energy management and more sustainable farming methods that should arise from the implantation of ELMs in the coming years.

Another way of reducing these tensions would be by **encouraging dietary changes** that involve less meat and dairy production, freeing land for other forms of production that are more efficient in terms of meeting climate goals, as recommended by the Climate Change Committee[90] amongst others. In recent years this has not been on the Government's agenda, but this position may change .

Recent agricultural production levels

Anecdotal and local evidence of changes in production, land area and other variables plays a part in this debate but time series data sets from reliable sources will be required to build more evidence. The UK continues to collect such data and comparisons with other parts of Europe will also continue to be possible.[74] It shows significant fluctuations between years, to some degree for crop areas and livestock numbers and to a much greater degree for crop yields and the value of output. This is illustrated for some recent years before and after the beginning of the transition in English policy in Tables 12 and 13. This is explained by variables including the weather, global and more local market prices, input costs, competition from other countries, crop and livestock diseases and other factors in addition to any influences exerted by policy. Fluctuations in the value of production are particularly pronounced, mainly because of a price spike during the period affecting a wide range of agri-foods.

Table 12 Yield and value of production of crops from 2017 to 2023

Crop		2017	2018	2022	2023
Wheat	Yield (tonnes per hectare)	8.3	7.8	8.6	8.1
	Value of production (£m)	1,989	2,084	4,059	2,912
Barley	Yield (tonnes per hectare)	6.1	5.7	6.6	6.1
	Value of production (£m)	871	957	1,815	1,351
Oilseed rape	Yield (tonnes per hectare)	3.9	3.4	3.7	3.1
	Value of production (£m)	764	643	877	483
Sugar beets	Yield (tonnes per hectare)	83	69	64	78
	Value of production (£m)	229	246	202	368

Source: Defra, 2023

Table 13 Yield and value of production of livestock from 2017 to 2023

Livestock		2017	2018	2022	2023
Dairy	Milk from diary herd (million litres)	14,969	15,008	15,088	15,090
	Value of production (£m)	4,351	4,487	6,659	5,983
Sheep and lamb	Total home-fed marketings (thousand head)	15,338	14,908	14,436	14,415
	Value of production (£m)	1,202	1,258	1,627	1,582
Beef and veal	Total home-fed marketings (thousand head)	2,772	2,835	2,840	2,793
	Value of production (£m)	2,998	3,031	3,750	3,908

Source: **Defra, 2023**

No obvious trends attributable to the change in domestic support policy are clearly visible, as would be expected so early in the transition period, but these may emerge over time. However, the dramatic increase in the value of crops in 2022, in many cases associated with increased profit margins despite higher input costs, is highly visible and for many farms will have masked the impact of a reduction in Direct Payments.[70] Exceptional conditions may also explain a jump in the total factor productivity of UK agriculture, which had been almost flat between 2011 and 2020 but then rose by 3.4% in 2022. This was probably at least partly because of reduced use of inputs for several of which there was a sizeable price increase during the year.[85]

Over time, some impact on the production of food, fibre and energy from farmland can be expected from the policy change in England and anticipated policy shifts in other parts of the UK, even if it is masked by other factors. Several alterations in farm management might be expected to lead to a drop in output whilst others will increase efficiency and potentially reduce reliance on inputs such as inorganic fertilisers, agrochemicals, fossil energy etc. Assuming that farming practices become better adapted to climate change, then farming systems should become more resilient, with beneficial effects on yields, so it is not a simple equation.

At a finer grain level, some elements of production might be impacted by less obvious changes in farm management associated with policy change, such as the removal of the least profitable crops in arable rotations, which might be oilseed rape for instance. Low margins could cause them to be displaced in rotations by environmental crops incentivised under the SFI – in which case we might observe a drop in production of certain specific food crops but increases in others.

At a regional and more local level, policy change will have an impact on land use and production, probably of greater significance than will be visible nationally and with significant variations. In terms of both farm income and production impacts and the socio-cultural repercussions, the greatest area of concern has been about extensive livestock producers in the uplands. This has been mainly because of their heavy dependence on BPS payments and the limited number of ELMs options that have been open to many farmers in this group, especially if they farm in protected areas such as some SSSIs (sites designated for nature conservation where limits on the intensity of production may apply). In some localities there are reports of such farmers struggling to stay afloat without the support of Direct Payments and being very critical of the policy.[91] However, low profitability does not necessarily lead to a decision to retire and there are many other factors that can have an influence, such as the availability of part time work and whether or not there is a successor in line to take over from an older farmer. Sheep production on such farms may fall because of environmental requirements. However, it does not follow that the land will necessarily go out of agriculture as there is strong demand for land and factors such as the value of inheritance tax relief and the availability of a successor often loom large in decisions over retirement or disposing of land if retirement occurs. When farmers cease trading consolidation of their land into other holdings often occurs, which does not necessarily mean a change in production levels. However, even with fewer, larger farms, as seems likely, without Direct Payments their viability will be even more dependent on market prices than it is now, and it is difficult to forecast whether currently high prices for sheep for example will persist.

If there is a change of use, the alternative may well be the establishment of woodland, the planting of which is currently is running at well below target rates. The payment rates under ELMs seem likely to rise for many upland farmers and this too will be a factor both for the current generation and for the management choices of those who take over the land from farmers who do retire.

There is considerable scope to fine tune incentives both for sustainable farming via the SFI and CS and for forestry via planting aid in order to steer future land use and this will involve an element of more political as well as technical choices in Defra. Other policy levers also are relevant, including taxation, for example in the form of agricultural tax relief and inheritance tax. For the moment the preference of a large number of farmers and landowners seems to trying to combine food production with a greater supply of environmental public goods and this aligns broadly with the approach under the SFI. Whether this remains the case in the longer term, or whether there will be greater polarisation between highly productive and largely conservation focused land uses, is a topic attracting much interest.

6.6 *Outlook for the ELMs programme*

The programme and the wider agricultural transition is relatively new and in some respects is a pioneering exercise implementing a new approach that involves fresh thinking and the taking of some risks. The architecture of schemes has changed significantly, and the sense of uncertainty remains. Nonetheless, the most recent development, the combined SFI/CS offer, is intended to remain the central strand in the new approach to agricultural policy and there is little sign of the current Government considering significantly different alternatives.

It is early to judge how far it will meet its objectives. Clearly one **critical issue is the level of future take up of schemes by farmers**. To a considerable degree this will depend on farmers' expectations about how both policy and markets will develop in the coming years and how this could change the substance and timing of the decisions they face. The Government has an important role in building confidence about the direction of travel and bringing stakeholders on board, including those in associated sectors such as the supply chain and banking. To secure sufficient uptake and the subsequent environmental outcomes farmers and landowners need to believe that the new approach is serious and here to stay rather than only a short-lived excursion into new policy territory. Undoubtedly there has been progress in this direction.

However, there remains **great uncertainty over the future budget for the FCP** as noted earlier. The detailed estimates of requirements prepared by the CLA point to expenditure more than 30% higher than it is now. The advice to Defra from the NAO is to "*ensure that the full Programme business case for Phase 3 of the Programme, currently in preparation, includes a comprehensive and realistic assessment of the funding needed to meet all the Programme's objectives*".[84] It is difficult to disagree with this.

Up to now, Defra has stuck to its broad course despite making multiple changes in the basket of schemes in recent years. Interviews and other conversations with stakeholders on the farming as well as the environmental side suggested that they expect the policy direction to continue, whether or not they are not fond of it. The farming community was well aware before the referendum on EU membership that Direct Payments were likely to be phased out should the UK leave the CAP. Thus far the new Labour Government has not proposed a major change in direction. So far, the new approach to agricultural policy has not been derailed by large scale farmer protests or a collapse in commodity prices or in land values which have remained rather steady, with agents commenting on the surprising level of demand for some grades of grassland that is more suitable for amenity and environmental uses than for commercial production.

Initially, the relatively **high prices for some agricultural products** such as milk and lamb in the period since 2021 increased the share of income derived from the market rather than from Direct Payments on many farms and so made the transition considerably more palatable. Subsequently, much lower market prices in 2023/24 have heightened concerns about the full impacts of the demise of Direct Payments and reinforced the rationale for increasing incentives under ELMs. **Future dips in market prices** may be amongst the stiffest tests the policy will face.

While the NFU, CLA and other farming organisations maintain a critical stance regarding several aspects of the policy, including the frequency of past changes, and while the NFU would prefer the re-introduction of Direct Payments, they also have an interest in making the schemes work and securing real and valued environmental outcomes. This is needed not only for its own sake, and to maintain public support for farming and the agricultural budget in a heavily urbanised country, but also to maintain the credibility of continued payments for providing environmental services. There is no obvious alternative rationale for continuing to maintain the agricultural budget on anything like its present scale.

In these respects, there is momentum behind the FCP and critics tend to focus more on modifying it to increase the benefits to groups such as upland livestock farmers than they do to proposing alternative approaches. This, the growing budget which will be allocated to ELMs alongside the imminent disappearance of Direct Payments, and the value to most farmers of a secure income stream increases the chance of a significantly greater level of overall take up of ELMs in the next decade. This would meet one but far from the only requirement for environmental targets to be met.

Policy trends in other parts of the UK, in the EU and in the wider world also will be an influence on how the FCP develops. Within the other UK nations, the direction of travel is also towards more emphasis on rewarding the provision of public goods but within different policy architectures. The prospective choices elsewhere in Europe and beyond would be the topic of another paper.

7 CONCLUSIONS

This report arises from a short study undertaken in the first half of 2024, part way through the agricultural transition and the rolling out of the new ELM schemes. It is not a comprehensive review or assessment but an initial perspective on a significant set of changes to agricultural policies in England.

The **policy changes** outlined here have followed through from the logic of the Agriculture Act of 2020, with the primary focus on the provision of environmental benefits and animal health and welfare but with a growing emphasis on maintaining food production as a more explicit goal. The regulatory baseline has changed little during the period and the focus has been almost wholly on developing voluntary incentive measures. In the regulatory sphere the approach has been to rely more on persuasion than the use of penalties. Demand side measures have not changed significantly. New economic instruments such as taxes and levies and emission trading schemes have not been deployed.

The process of policy development for ELMs has been distinctive and unlike that under the CAP. An intensive period of policy development has been in place since 2018, involving extensive research and the creation of a stronger evidence base, pilot schemes at various scales, sustained engagement with stakeholders and largely internal evaluation processes. This has proceeded on a **"test and learn" basis** allowing flexibility and speed but contrasting with the more predictable, systematic planning and programming model adopted under the CAP or the model of an early needs assessment, as in CAP Strategic Plans.

External stakeholders have played a significant and influential role in an often undulating and flexible process, but this has not amounted to a full commitment to co-design. New thinking and dynamism have been evident to a degree not usually present in this sphere of policy development. However, elements of unpredictability in both the budget and policy design have created uncertainty and concern amongst farming stakeholders in particular about where policy is going and on what timescales, with varying levels of confidence in the process and understanding of the priorities. Changes to prominent schemes have been relatively frequent and occasionally abrupt in recent years, as in the case of the 2022 SFI pilot, although a more settled new architecture is now being established.

Policy composition and balance

A spectrum of new policies have been introduced in relation to agriculture during the transition period. Most prominent are those under the ELM umbrella which have been designed with the scope to pursue a range of objectives and to be expanded to absorb the largest share of the agricultural budget. Growth is now particularly rapid in the **"pick and mix" SFI**, which now is absorbing much of the mid tier Countryside Stewardship scheme as well. Higher tier schemes, including the innovative and ambitious Landscape Recovery scheme, are in place but at present are allocated a small proportion of funding. A new generation of capital grant schemes also has been introduced with the flexibility to focus on evolving environmental and farm productivity priorities and uptake is currently high, putting pressure on the budget. Accompanying changes have occurred in the advisory services but these have not had the prominence that might have been anticipated for a period of rapid change. The expected review of regulations impinging on agriculture has not occurred. A new land use framework, which might help with targeting ELMs schemes for example, is under development in Defra.

On a broader canvas, measures of the kind proposed by the Climate Change Committee to bring about more rapid reductions in agricultural emissions, including accelerated tree planting and peat restoration, initiatives to reduce livestock emissions and more focus on influencing food demand have not been taken forward at scale.

However there have been several steps to increase the role of market instruments to increase the supply of environmental services and a significant effort to put in place the new Biodiversity Net Gain mechanism. The scale of impact of market instruments on the ground is relatively limited for the moment but is expected to grow over time.

Given this, there is scope to achieve more balance within the programme as it develops under the new Government.

Future Budget

Perhaps the greatest uncertainty at this juncture is over the **future of the multi-annual budget**, beyond 2025. The sums required for a sufficient scale of intervention to allow environmental and productivity targets to be met seem likely to be significantly greater than in the present budget, but it is not clear that the Government shares this view or how the budget will develop over time.

The original intention to divide the budget for ELMs fairly evenly between the three core schemes has been abandoned and at present there is no clear policy to guide an alternative division in future. This creates a very significant risk that the SFI scheme will be over dominant and crowd out the other schemes and higher tier schemes will not be deployed on the necessary scale.

Delivery of ELMs

Alongside the design and introduction of new or revised schemes, there has been a consistent focus on the **delivery of the programme**, aiming to make it more attractive to farmers. The emphasis has been on reducing barriers to entry, simplifying processes, increasing the flexibility of agreements and reducing the risk of penalties, resulting in a distinctive change in culture. In parallel there have been efforts to reduce the administrative costs of the programme, which have proved more difficult. This has been supported by investment in digitalisation, new IT and monitoring regimes, together with widened communication channels, including blogs, newsletters and webinars.

Rather than being a secondary dimension of the programme, **a new delivery culture with slimmed down application processes, simplified rules**, especially in the SFI, and reduced emphasis on compliance, is seen as a primary characteristic of the programme, critical to its success. Most aspects of this formula are welcomed by farmers and this is reflected in the growth of SFI take up. One remaining area of concern is about the complexity of the new schemes and corresponding effort involved in selecting the best options in SFI for example. Some of the actions involve unfamiliar practices and the guidance is not always considered sufficient.

Work is going on within Defra to address farmers concerns about ELMs and the recent increase in payments was welcomed but this needs to be seen alongside a lack of confidence about the future in many parts of the farming community, which has seemed more pronounced in 2024, perhaps not surprisingly given the challenging conditions, including reductions in many commodity prices and the imminent removal of Direct Payments.

Uptake of schemes

Overall uptake of agri-environment schemes is increasing after a period of significant decline, especially in the SFI where Defra and the RPA have found ways to speed up the application process, partly through a focus on simplification. The Defra target is for 70% of farms to be enrolled in ELM schemes by 2028 and about half this total was achieved by spring 2024. However, this is only one of the milestones needed to meet the goals of the FCP; the changes on the ground that are required to meet the multiple objectives in a coherent and holistic way need to be spelled out more specifically and a sufficiently targeted set of measures to attain them put into place.

Impact of ELM schemes

The policy transition is now part way through, with Direct Payments at 40% of historic levels in 2024 and expenditure on ELMs considerably below the future target level. The new architecture of ELM schemes has not yet fully settled into place and its prospective growth will be considerably affected by decisions on the budget. Furthermore, the new ELMs schemes have been introduced alongside other important policy changes and during an atypical period, with the cumulative impact of covid, changing trade conditions with the EU and elsewhere, the Ukraine war and major fluctuations in input and farmgate prices. Given this as well as the challenges involved in measuring many impacts at an early stage, it is too early to judge what the impact of the transition and the new ELM schemes will be.

In relation to the **environment**, changes attributable to ELMs will become more apparent over time. However, looking ahead, it is not clear to most external observers exactly how far ELMs schemes will contribute to meeting the relatively recently established environmental targets running to the mid-2030s and beyond. The Office for Environmental Protection and others have asked for a roadmap to spell this out more explicitly. This is increasingly urgent, not least following the new Government's decision to review the current Environmental Improvement Plan, which contains several targets bearing on agriculture.

To meet environmental goals, Defra's strategy is to increase participation in ELMs and the SFI in particular so to involve 70% of farmers in agreements by reducing perceived and real barriers to entry, putting greater emphasis on flexibility and a readiness to raise payment rates. The hope is that over time, farmers will be inclined to undertake more demanding and environmentally critical commitments.

There are several risks in this approach. One is that the flexibility, easy access and "pick and mix" approach in SFI is insufficiently prescriptive to achieve the right combinations of actions on the ground in a consistent way and in the right places, even if uptake is high. Even if the target of enrolling 70% of farms is met, the desired environmental impacts are far from guaranteed. Most experts regard targeting of incentives as crucial.

Another risk is that insufficient priority is being given to higher tier, more demanding schemes, considered by most environmental stakeholders as key in securing significant improvements, especially for biodiversity. New recruitment for higher tier schemes is currently at a low level and needs to rise very considerably, accepting some additional cost, complexity and administrative effort. This underlines the importance of the budget, as mentioned already.

A more robust approach would include the deployment of a wider range of policy interventions, such as regulatory change, as well as a well-balanced ELMs programme.

With regards to **maintaining food production**, one of the three objectives of the FCP, it is too soon to judge the longer-term impact. However, there is little evidence of initial policy change being a significant factor in the substantial output fluctuations of recent years. A stronger focus on tracking and measuring food security is emerging but Defra has not expressed serious concerns about prospective declines in the sufficiency of supplies, partly because it expects significant increases in productivity in domestic agriculture. It has demonstrated an ability to make rapid adjustments to ELMs if required to limit incentives to remove land from production. More work will be needed to integrate longer term environmental and food production strategies and assess the benefits of land sparing and sharing in a more explicit way in a territory where land is in short supply.

Protecting **farm incomes** is not an objective of the Agriculture Act and farmers generally have been apprehensive about the transition and the phasing out of Direct Payments in particular. However, until 2024 the full impact of the removal of Direct Payments had yet to be felt in many farming sectors, especially since market conditions have been exceptional, firstly with many key farmgate prices being higher than usual followed by a reverse in 2024. Farm income from ELMs is rising rapidly as Direct Payments decline but ELMs are not intended as a direct substitute for them either generally or at the individual farm level. Compliance with ELM conditions will generally involve costs.

Farmers are exposed to greater reliance on the market and under more pressure to increase productivity and to diversify. Structural change is expected by Defra as the transition proceeds and unless there are significant increases in productivity on a proportion of farms or new sources of income are found, their viability is in question. The most vulnerable farms are those in the uplands, on poorer soils, and in more extensive livestock production which are most dependent on Direct Payments for their income.

Building capacity for change

Establishing new objectives in agricultural policy and then putting in place the measures required to meet them within available budgets is not a small task. It is work in progress in England and not yet complete. This is not unexpected, or a criticism given the scale of the task and the conditions encountered. There have been significant investments in capacity in several areas, for example in Defra staff numbers, IT systems, expenditure on research, modelling and pilots. In other areas there have been gaps, for example in building the data sets and models required to target voluntary schemes on demanding quantitative targets. Higher tier schemes have been held back by capacity constraints and the enforcement of environmental regulations has suffered from limited resources in Defra's key agencies the Environment Agency and Natural England. Greater resources for monitoring and evaluation also could make an impact.

Putting sufficient capacity in public bodies in place to run and develop the FCP along the lines proposed should be seen as a priority. There will be tensions with the aim of reducing administrative costs but the case for investment in capacity needs to be spelled out clearly. This is a widespread challenge with respect to the development of agricultural policy and by no means confined to England or the UK.

Looking ahead

Helpful foundations have been laid for going forward. A large part of the planned transition in agricultural policy has now taken place and Defra has shouldered extensive new responsibilities. A significant change in the objectives and mechanisms of agricultural policy to focus more on environmental objectives has been brought about without any significant adverse effects on food supply being apparent at this stage. There is scope for considerable further development of the ELM schemes which increasingly are familiar to farmers.

One priority now is to remedy the current lack of a publicly available forward-looking road map for the programme, including a pathway for meeting **increasingly concrete environmental objectives** and filling this gap with a persuasive plan now appears to be a key step for the development of the programme.

In terms of future uptake and engagement, there remain considerable challenges, including a lack of confidence about the future in many parts of the farming community, which is clearly a concern. There are several reasons for this, some associated with policy change, including trade agreements as well as the removal of Direct Payments. However, much of the criticism of ELMs itself as a policy instrument has not been so much over the core elements of the programme but more focused on the level of uncertainty and unpredictability that has arisen from the test and learn approach. There are clearly opportunities to address this but the period of change and upheaval is not yet over.

However, standing back from this, initial experience of the transition demonstrates that a change in agricultural policy towards a public goods approach while phasing out Direct Payments can be put into practice, even without other trading partners following suite. While it is early days to assess results – and recent commodity price levels have played a significant part in this – some of the early fears, such as a collapse in farm incomes and land prices have not been realised and change is gathering momentum.

There are substantive concerns about the sufficiency of the budget, the balance within it and the role of regulation but there is little sense that an alternative approach to the agriculture transition pathway as a whole is either needed or likely to be adopted by the new Government. This is no small achievement. There are undoubtedly lessons to be learned about both strategy and detail and these are worth the attention of a wider international audience.

Further Research

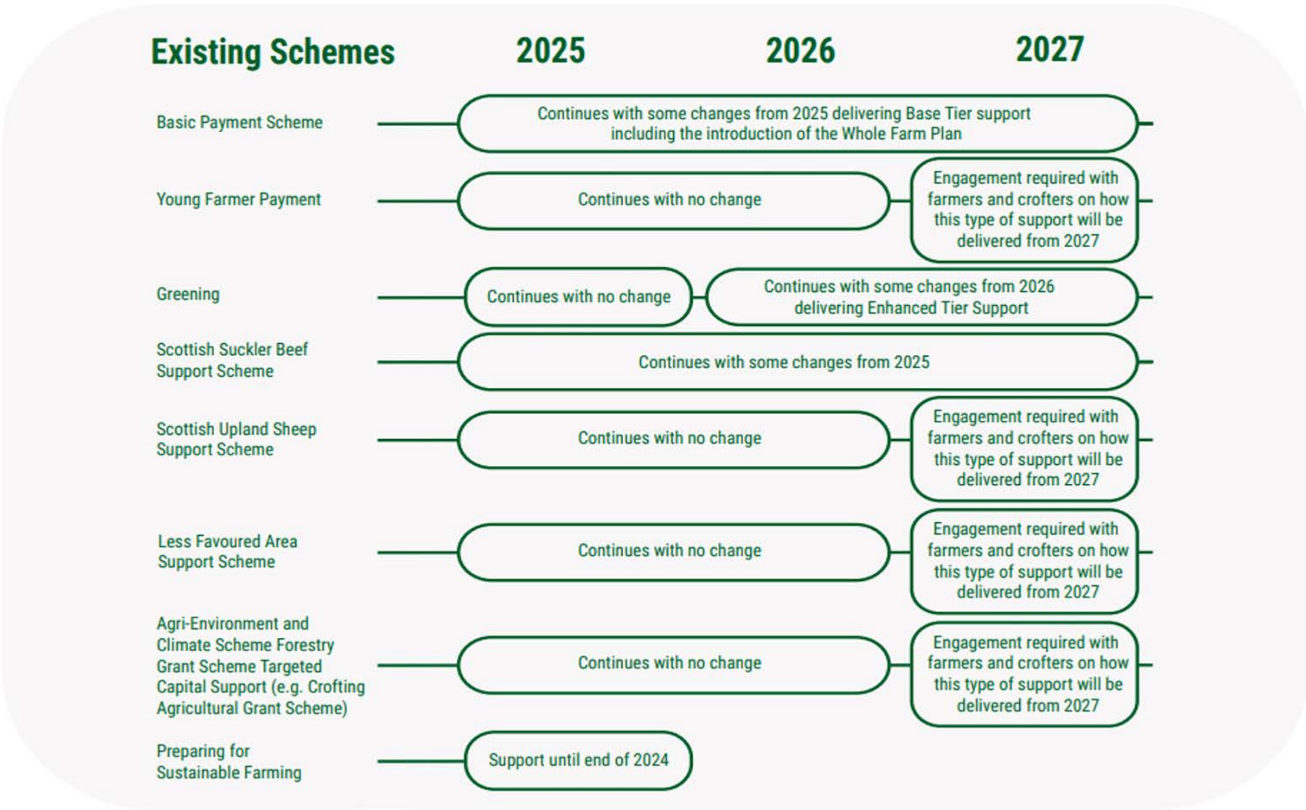
There are many areas where further research would be helpful both in understanding the impact and implications of the policy transition and exploring where it could be taken in future steps, including improvements that could be made. These might include:

- More in-depth independent evaluation of different elements of the programme as it becomes more mature. One aspect of this could be detailed consideration of the most relevant indicators for assessing public goods policies of this kind as they evolve over time.
- Evaluation of the trade-offs between simplification in policy design and delivery and increased levels of environmental ambition and targeting in voluntary schemes and the best means of resolving them.
- Assessment of the lessons learned in England and in the other UK nations as new policies are developed and implemented and their potential relevance to other countries.
- Examination of the role of new market measures and how these could most effectively be integrated with publicly funded incentive schemes.
- More detailed research on the implications for future food supply of more intensively applied public goods schemes of the kind adopted in England and elsewhere.

ANNEXES

Annex One *Changes in support schemes in Scotland*

Annex Figure 1 Illustrating changes in schemes within Scotland starting in 2025



Source: Scottish Government Rural Payments and Services (2024)

Annex Two *Extract from the Agriculture Act 2020*

The Act grants powers to the Secretary of State (i.e. the senior minister in Defra) to provide funding related to agriculture and land management under the Agriculture Act 2020 as follows:

1. **The Secretary of State may give financial assistance for or in connection with any one or more of the following purposes:**
   a. managing land or water in a way that protects or improves the environment.
   b. supporting public access to and enjoyment of the countryside, farmland or woodland and better understanding of the environment.
   c. managing land or water in a way that maintains, restores or enhances cultural or natural heritage.
   d. managing land, water or livestock in a way that mitigates or adapts to climate change.
   e. managing land or water in a way that prevents, reduces or protects from environmental hazards.
   f. protecting or improving the health or welfare of livestock.
   g. conserving native livestock, native equines or genetic resources relating to any such animal.
   h. protecting or improving the health of plants.
   i. conserving plants grown or used in carrying on an agricultural, horticultural or forestry activity, their wild relatives or genetic resources relating to any such plant.
   j. protecting or improving the quality of soil.

2. **The Secretary of State may also give financial assistance for or in connection with either or both of the following purposes:**
   a. starting, or improving the productivity of, an agricultural, horticultural or forestry activity.
   b. supporting ancillary activities carried on, or to be carried on, by or for a producer.

3. **Financial assistance may only be given in relation to England.**

4. **In framing any financial assistance scheme, the Secretary of State must have regard to the need to encourage the production of food by producers in England and its production by them in an environmentally sustainable way.**

Annex Three *Key FCP Outputs 2021-2023*

FCP Outputs for 2021/2022 to 2022/2023

The table below is a synthesis of what Defra has selected as "key outputs"[A] from the FCP from the period from 2021/22 to 2022/23.

The outputs are the effectively the level of expenditure on different schemes and other measures of take up such as number of farmers enrolling, and area of land involved. This is different from "outcomes" i.e. the actual impact of the schemes. The figure conveys the dynamics of the overall process and some of the ways that modifications to individual schemes have been woven into a new pattern of support that is still clearly in an evolutionary phase. The outputs are segmented into three strands – Direct Payments, Environmental, climate and animal welfare outcomes, and Farm prosperity – and the respective schemes that fall under each strand.

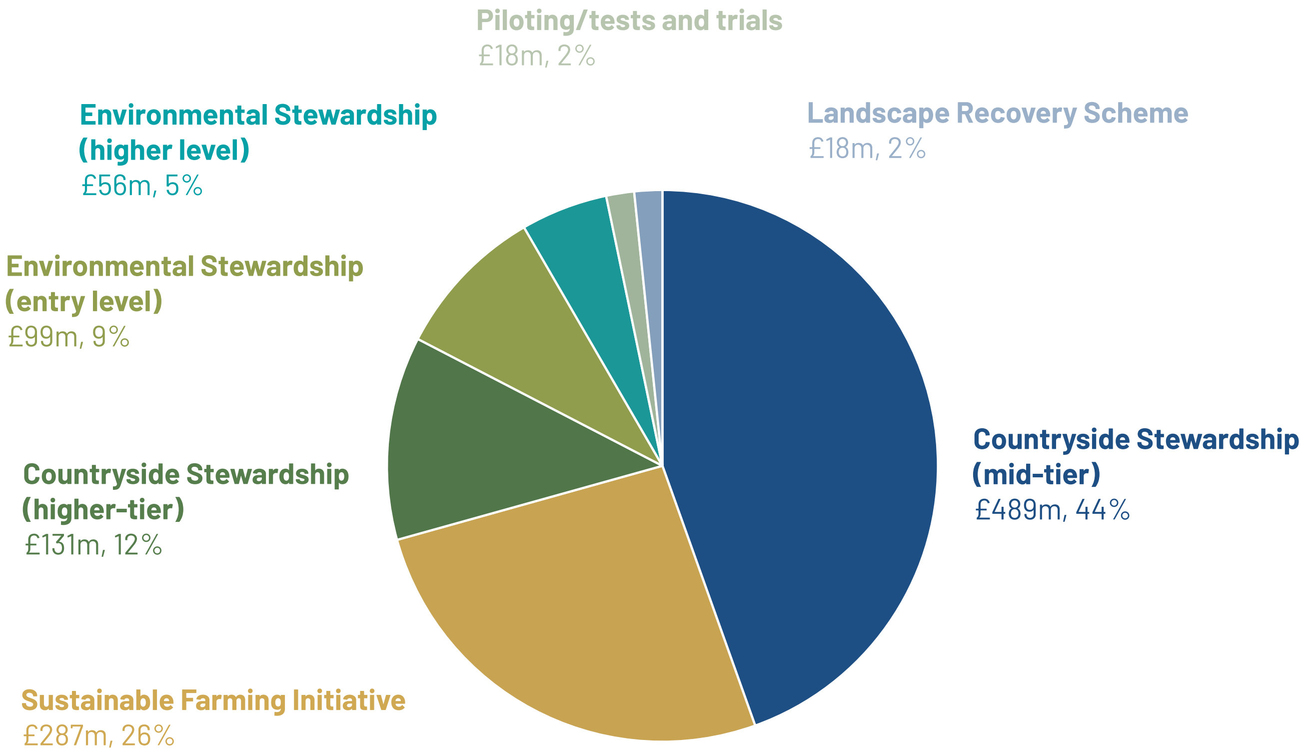
2021 to 2022	2022 to 2023	
∞ Began the phase out of Direct Payments ∞ £1,654 billion spent in this period on Direct Payments	∞ 84,000 farmers received Direct Payments ∞ 865 farmers applied for the Lump Sum Exit Scheme ∞ £1.384 billion spent in total	Direct Payments
∞ Increased Countryside Stewardship (CS) payment rates by an average of 30% ∞ Opened Countryside Stewardship (CS) 2022 offer ∞ Opened new round of CS Facilitation Fund offering £3 million in funding ∞ Involved 850 farmers in Sustainable Farming Incentive pilot (SFI), starting in November 2021 ∞ Applications for first round Landscape Recovery scheme opened, with 22 projects selected ∞ Supported 1,000 projects under the Farming in Protected Landscapes (FiPL) from July 2021 to March 2022	∞ Currently 39,500 farmers and land managers (35,900 agreements) enrolled in legacy agri-environmental schemes (inc. Environmental Stewardship and Countryside Stewardship) ∞ In the beginning of 2023, there were 32,000 Simplified CS Agreements, with Mid-Tier and Wildlife Offer accounting for approx. 87% of all CS agreements ∞ ELM Test and Trials: 17 new Test and Trials, with 54 in total. During this period, 34 Tests concluded ∞ ELM National Pilots: 836 live agreements in the Pilot (2022-2023) ∞ 1,397 projects supported under FiPL. Outcomes included over 98,000 metres of hedgerow and over 58,000 trees planted, along with 16 new farming clusters created	Environmental, climate and animal welfare outcomes
∞ Awarded £45 million in funding through Farming Investment Fund to more than 4,000 applicants ∞ Launched first rounds of Farming Innovation Programme, with £270 million in funding available	∞ Farming Innovation Programme launched 7 competitions ∞ 7,900 farmers supported under the Farming Resilience Fund ∞ 5 pilots under the New Entrants Scheme commenced to tset different approaches through improved access to land and finance ∞ Farming Transformation Fund (FTF) provided large capital gains across 5 themes: Water Management; Adding Value Improving Farm Productivity; Slurry Infrastructure and Calf Housing for Animal Welfare ∞ Farming Equipment and Technology Fund (FETF) provided investment to boost farm productivity and efficiency	Farm Prosperity

A - Outputs: Separate from outcomes, outputs in this instance means the direct consequences of applying a policy e.g. the number of farmers entering an agreement. Outcomes are the result of this e.g. actual changes in farm management on the ground

Annex Four *Breakdown of agri-environment scheme expenditure for 2024/25 (forecast)*

Forecast distribution of expenditure on agri-environment schemes in 2024/25

More complex agri-environment schemes are forecast to make up 19% of total spening on agri-enviornment schemes in 2024/25.



Source: **NAO, 2024**

Annex Five *Other funds beyond the agricultural budget*

Two wider sources of support beyond the agriculture budget which are sizeable and worth particular mention:

The Nature for Climate Fund

In the Spring 2020 Budget, the Government set aside £640 million for the Nature for Climate Fund (NCF) which is separate from the agriculture budget and part of wider green investment programme. This was in response to the growing need to increase tree planting and the area of woodland cover, as per the recommendation[94] of the Climate Change Committee and others. The objective is to increase tree planting and woodland creation to 30,000 hectares annually and 35,000 hectares of peat restoration by 2025. This will be in support of UK's 25 Year Environment Plan – the Nature Recovery Network in particular, as well as the wider Net Zero targets. Subsequently, an additional £124 million of funds were added to the NCF budget, bringing the total allocation to more than £750 million for woodland creation and peatland restoration by 2025.

The Rural England Prosperity Fund

This fund is the successor to previous rural development funds that were an important element of the support for rural areas under the CAP. The new fund was introduced after a significant period of uncertainty. It contributes towards the aims set out in the Government's Levelling Up White Paper, and funds capital projects for small business and community infrastructure. The aim is to improve productivity and strengthen both the rural economy and local communities. A total of £110 million was made available for 2023 and 2024, with participants required to spend the funding received by March 2025.

Annex Six *Environmental objectives for the FCP*

The 16 environmental objectives recently created by Defra

Air quality			
A	Ammonia emissions		Deliver 4.1 kilotonnes cumulative reduction in UK's ammonia emissions by 2028 from a 2023 baseline.
Biodiversity			
B	Sites of special scientific interest (SSSIs) in favourable condition.	50% of SSSIs to have actions on track to achieve favourable conditions by 31 January 2028.	Contribute between 50% and 64% of the eligible SSSI area towards the Government's 25 Year Environment Plan commitment of 75% of SSSIS by area maintained in, or restored to, favourable condition in England delivered by 2042 from a 2018 baseline.
C	Wildlife-rich habitat restoration and creation.	Restore or create 140,000 hectares of a range of wildlife-rich habitats outside protected sites by 31 January 2028 (against a 2023 baseline, including contribution from peatland and woodland).	Create and restore between 202,240 and 301,000 hectares of wildlife-rich habitat outside protected sites by 2042 (against a 2023 baseline, excluding contribution from peatland and woodland).
D	Favourable management of existing habitats.		Support continued favourable management of all existing priority habitat already in favourable condition outside of SSSIS (from a 2022 baseline) and increasing to include all newly restored or created habitat through our schemes by 2042.
E	Nature-friendly farming.		Support 65% to 80% of land managers to adopt nature-friendly farming on at least 10% to 15% of their land by 2030.
F	Invasive non-native species.		Deliver between 100,000 and 150,000 hectares of actions to control and manage invasive non-native species by 2030.
G	Bespoke species recovery.		Provide at least 40% of threatened species with targeted actions at sufficient scale to support recovery.

Net Zero			
H	Low carbon farming 2030.		1.63 million tonnes Carbon dioxide equivalent (CO_2e) agricultural emissions abatement per annum by the end of Carbon Budget 6 (2037) within an overall Defra agriculture decarbonisation pathway of 4.8 million tonnes CO_2e agricultural emissions per annum by the end of Carbon Budget 6.
Peatland and soils			
I	Restore and maintain peatland.		Bring 240,000 hectares of peatland under new restoration management by 2050 and, from 2026, continue management of all peatland previously brought into restoration management.
J	Sustainable soil management.		Transition up to 60% of England's agricultural soils into sustainable management by 2030.
Trees			
K	Agroforestry.		Deliver agroforestry on 10% of arable land in England by 2050.
L	Tree canopy cover.	Increase England's tree canopy and woodland cover by 34,000 hectares by 31 January 2028.	Deliver around 90% of the target to increase England's tree canopy cover and woodland cover to 16.5% by 2050 (from 14.5% currently).
M	Sustainable woodland management.		Ensure 75% of woodlands in England are in sustainable management by 2040.
N	Woodlands in favourable condition.		
Water			
O	Water pollution.	Reduce nitrogen, phosphorus and sediment pollution from agriculture to the water environment by 10% by 31 January 2028.	Deliver a 32-39% reduction in nitrogen (32%), phosphorus (39%) and sediment (37%) input from agriculture into the water environment by 2038 (from a 2018 baseline).

Water (cont.)			
P	Water storage.	Increase water storage used by the agriculture and horticulture sectors by 10% by 2030 (from a 2024 baseline).	Increase water storage used by the agriculture and horticulture sectors by 66% by 2050 (from a 2024 baseline).

Source: NAO, 2024

Annex Seven *Views on the uptake of the SFI scheme*

Various perspective on uptake of schemes (2021–2023)	Source and year
In March 2021, Defra invited farmers to express an interest in participating in the SFI pilot which is due to go live from October 2021. Defra had assumed that there would be between 5,000 and 10,000 expressions of interest out of around 44,000 eligible farmers, from which it would select a representative 1,000 participants. In the event, it received only 2,178 responses, a response rate of just 5%. Defra is confident that this provides a "healthy pipeline" to test the many aspects of SFI but has not shown the NAO any analysis to support this. A continued low level of interest could threaten Defra's environmental ambitions.	NAO 2021, "The Environmental Land Management scheme", Press release 15 September 2021 https://www.nao.org.uk/press-releases/the-environmental-land-management-scheme/
"Yes, I do. We have 849, I think it is, farmers in the SFI pilot, which opened last year. We opened the main scheme for applications at the end of June this year, beginning of July… What we have seen so far is that we have had just under 1,500 completed applications and we are turning those around—one of the things we learnt from the pilot is how to turn those around much more quickly—in less than two weeks and often much quicker. We have had 1,500 and more than 1,100 of those are already live in their agreements and some of them have already started to get paid. We have had another just under 2,500 that have started and not yet finished their application."	Janet Hughes, 2021 Q112 Oral evidence: Environmental Land Management Scheme: Progress Update, HC 621 https://committees.parliament.uk/oralevidence/11573/pdf/
The biggest problem with the SFI at the moment is limited uptake. This view is informed by the CLA's engagement with members and discussions with other stakeholders, as the RPA has not released application numbers. There are various reasons for this, including the 30 June launch date, which came at a busy time in the farming calendar but also the limited offer in SFI 2022. Compared to the full array of options expected across all ELM schemes in the future, the payments under the SFI 2022 offer are dwarfed by the payments available under existing legacy schemes, the Basic Payment Scheme (BPS) and Countryside Stewardship, and therefore are not particularly attractive. Whilst the application process is simple, understanding the requirements under each standard is not, and requires research and time that many farmers do not feel like they have at present. All of the required information is available online on gov.uk, but it is not in a digestible format and is limiting engagement. This issue will be compounded when further standards and levels of ambition are added over time. The CLA/Strutt and Parker online survey run during June and July 2022 found that at this point in time, 37% of 215 respondents plan to enter the SFI in the next 3 years.	Country Land and Business Association, August 2022 Written evidence to Environment, Food and Rural Affairs Committee – Environmental Land Management Scheme – Progress Update https://committees.parliament.uk/writtenevidence/110634/html/

Various perspective on uptake of schemes (2021–2023)	Source and year
Investment in the foundations for environmental land management schemes along with other nature-friendly farming approaches has been considerable and uptake is increasing but from a low baseline. However, roll-out has been slow and the programme is marked by uncertainty	Office of Environmental Protection "Progress in improving the natural environment in England 2022/2023" https://www.theoep.org.uk/node/1597
The environment department said 8,000 farmers had last year applied to one of the new regime's subsidies, the Sustainable Farming Incentive, far below the 82,000 eligible.	Madeleine Speed, 2024 "UK Government sets out bigger post-Brexit subsidies for farmers" *Financial Times* 4 January 2024 https://www.ft.com/content/5e86b52a-0bb0-4404-ab82-bfcdf258411b

Glossary

Terms	Definition
Common Agricultural Policy (CAP)	Formed in 1962, the CAP is the EU's overarching policy for agriculture and rural development covering the 27 Member States. The CAP consists of Pillar 1 (direct support and market measures) and 2 (rural development – including a range of agri-environmental schemes).
Department of Agriculture, Environment and Rural Affairs (DEARA)	Northern Ireland's Government department in charge of, amongst other things, food, farming, forestry, fishing and biodiversity.
World Trade Organisation (WTO)	InterGovernmental organisation that regulates and manages international trade.
National Farmers' Union (NFU)	One of UK's major farming organisations, the NFU represents over 46,000 farm businesses in England and Wales, and lobbies the UK Government representing the interests of farmers.
Country, Land and Business Association (CLA)	Membership organisation, with around 33,000 members in the UK, which represents the interests of landowners and other rural actors, including many in the farming community.
Public Money for Public Goods (PMPG)	The idea of using Government funds to pay directly for the delivery of public goods, especially (and within the context of this report) for ecosystem services, which would not be otherwise provided through markets.
Agri-Environment and Climate Measures (AECMs)	Within the context of this report, this is taken to mean public schemes that incentivise landowners and land managers to deliver environmental outcomes on their land.
Land Use, Land Use Change and Forestry (LULUCF)	Term used to define greenhouse gas inventory sector covering land use, land use change and forestry activities.
Good Agricultural and Environmental Condition (GAEC)	GAEC is a set of standards for agricultural land management established under the CAP as part of the cross-compliance system. Requirements covered a range of issues including the management of soils and the maintenance of certain habitat and landscape features.
Cross compliance	Cross compliance is a policy tool involving a requirement to comply with a set of rules, such as minimum standards in order to benefit from a payment scheme, for example the Basic Payments Scheme. Cross compliance in the CAP consisted of Statutory Management Rules (SMRs) and GAECs. Cross compliance was removed in England in 2024.

Terms	Definition
Greening rules	Mandatory rules within the CAP for most farmers receiving Basic Payment Scheme, covering requirements related to permanent grassland, crop diversification and ecological focus areas. Penalties applied to those not following the rules. The system of greening rules was changed to a different form of conditionality in the current version of the CAP.
Income forgone	In relation to agriculture, this term is used to describe the income loss from adopting measures that in principle reduce revenue from production activities, for example adopting less intensive methods as part of environmental agreements or diverting land out of agricultural production.
Landowners/land managers	Within this report, this refers to anyone who owns or has management control of land in the English countryside. Farmers fall within this category.

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