

AGRICULTURAL INDUSTRY REFORM ANNOUNCED

Following Royal Assent, the Right Honourable George Eustice MP has announced the key changes which will take place in the English Agricultural Industry over the next 7 years. Although we know that the transitional period will take place over seven years “The Path to Sustainable Farming: An Agricultural Transition Plan 2021 to 2024” only details the timeline up to the next government election.

The announcement set out 5 key aspects to the reform as set out below:

1. Direct Payments, including lump sums
2. Paying for environmental and animal welfare outcomes
3. Improving Farm prosperity
4. Regulation of legal requirements
5. Tenancy Reform

1) DIRECT PAYMENTS, INCLUDING LUMP SUMS

Currently farmers are paid a subsidy depending on how many hectares of land they control. The current rate is £222 per hectare. The new system will de-link payments, to a system which rewards farmers for maintaining, enhancing and creating natural resources.

The BPS scheme will gradually be phased out with payments being reduced between 2021 and 2027. Today (30th November) the rate of reduction for the next four years (2021-2024) has been confirmed; by 2024 all farmers subsidies will have halved.

From 2024 the process of delinking will have been implemented. Farmers will no longer require land to claim the basic payment scheme. The calculation for payments from 2024 will be based on a reference period, yet to be confirmed.

The basic payment scheme monies will be redistributed into;

- Paying for environmental and animal welfare outcomes
- Improving Farm prosperity (including grants)

The much-anticipated farmer exit scheme is still missing “Key Details”. The proposal suggests that farmers will receive their BPS monies as a lump sum when they exit the industry. A key requirement of the “lump sum exit scheme” is that the applicant must “leave the sector”, with the aim of encouraging new entrants into the industry.

B&Co will shortly be launching a bespoke calculator that all farmers can use to see what their payment reductions will be and assess measures to mitigate it.

2) PAYING FOR ENVIRONMENTAL AND ANIMAL WELFARE OUTCOMES

ELMS – scheduled to be launched in 2024; this is the new Agri-environment scheme which will replace the current Countryside Stewardship Scheme. The new scheme focusses heavily on the ambitions of the government to create, enhance and maintain bio diversity, ecosystems and natural resources for the benefit of the wider environment and community it also ties in with the governments 25 Environment Plan and aspiration to be net zero by 2050.

It will be structured and remunerated as follows:-

Sustainable Farming Incentive (SFI)

The premises of SFI is that it will reward farmers for managing their land in an environmentally sustainable way, including crop rotations, introducing measures to conserve soil, and introducing measures to protect natural resources including watercourses. This will be available to all farmers and will be a whole farm approach.

Local Nature Recovery

Focusses on creating, managing or restoring habitats. Additional emphasis will be placed on natural flood management and species management. It is a more localised approach working collaboratively with neighbouring farmers to be remunerated for delivering on the improvements in their local environments and habitats. A more competitive scheme it highly likely that applicants will have to do more than the current management obligations.

Landscape Recovery

The landscape recovery category primary ambition is to achieve large scale creation, restoration and improvement of unique eco-systems specific to the local area, including wetlands, salt marshes and peatland. Key component of this is the creation of woodland and Rt Hon George Eustice reiterated the governments ambition to plant 30,000 hectares of trees per annum by 2025 which will align to the Net Zero target of England by 2050. It is anticipated that this element will be competitive and involved fundamental changes to your land area.

3) IMPROVING FARM PROSPERITY

The core principle of the improving the farm prosperity fund is to support investment into more efficient equipment, technology and infrastructure. The key aim is to improve the overall productivity of farmers whilst still considering the environment. A range of grant aided schemes will be available which will provide funding for both high and low value items or investment. It has been identified that the

following items are likely to be eligible for investment;

- Water Storage
- Precision farming
- Robotic or automated technology
- Improvements to animal health
- Specialist forestry equipment

This competitive scheme of grant funding will operate in a similar manner to what has already been in place over recent years.

4) REGULATION OF LEGAL REQUIREMENTS

It has been acknowledged that regulation requirements require simplification. The Path to Sustainable Farming has identified that transparency along with a much greater emphasis on working in partnership with the industry will form the basis of its approach in the future

5) TENANCY REFORM

This morning's announcement was not focussed on the changes to tenancy reform under the Agriculture Act 2020. However, it is inevitable that some of the announcements will have an impact on the tenanted sector. Mention was made to the delinking of subsidy payments from 2024 and lump sum payments being made available aimed to assist with the transfer of farming businesses to the younger generation. Although at this stage the detail is vague, consultations will be held before further clarification is received. Nonetheless, early consideration should be had on how these changes will impact succession planning or rental levels of farmland.

FURTHER INFORMATION TO ASSIST YOUR BUSINESS

B&CO will shortly be releasing more information that will give an indication on how these reforms will impact different sectors of the industry and what Farmers can do to turn this into an opportunity for their business.

SUMMARY

- **Basic Payment reduction – Farmers will only receive 50% of their current BPS payment by 2024 and 0% after 2027.**
- **Cross compliance and standards will continue until 2024 or when delinking takes place**
- **Farmers will potentially be able to exit the industry from 2022**
- **ELMS should be launched in 2024**
- **Money will be moved from direct subsidies to the new schemes between 2021 and 2027 including grant funding**
- **B&Co will shortly be launching a bespoke web-based calculator that all farmers can use to see what their payment reductions will be and assess measures to mitigate it.**

For further guidance, or business planning please contact your local office contact.

REGIONAL CONTACTS

Brown&Co are unique in having one of the largest Agricultural Business Consultancy teams in the country. We are a very practical, down to earth firm who have always taken real pride in our clients' success and our team's professionalism.

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