



MARCH MONITOR

Following the announcement of changes to farm support post-Brexit, the following notes, prepared by Andersons, provide a concise summary of the key proposals to date.



Now the UK has left the EU, the Common Agricultural Policy (CAP) no longer applies and each of the devolved regions of the UK will set their own rules for farm policy going forward. In England this will see a period of radical change in support – known as the ‘Agricultural Transition’. The following notes summarise the proposed changes.

THE AGRICULTURAL TRANSITION

Direct aid in the form of the **Basic Payment Scheme (BPS)** will be phased out through to 2027. By 2028 there will be no direct (BPS) payments. They will be replaced by payments for ‘public goods’ – services that agriculture can provide to society that are not delivered by the market. This will be mainly through the new **Environmental Land Management (ELM)** scheme but there will also be other funding available.

PHASE OUT OF BPS

For 2021 the BPS will continue, however, this year marks the start of the agricultural transition period, with a reduction in payments which get progressively greater through to 2027. By 2028 the BPS scheme will have ended.

The adjacent table shows the percentage reductions, announced by Defra, for the years 2021 to 2024.

The reductions for 2025 to 2028 are not yet known.

The predictions in this table, for the final years, are based on a simple arithmetic progression. The bands work like Income Tax, so all BPS claimants get the lower deductions on their first £30,000 of claim.

CHANGES TO BPS

From 2021, as well as reductions to the BPS payment, there will be other scheme changes:

- All three greening requirements will be removed – crop diversification, ecological focus areas and permanent pasture measures. The greening payment will be added to the BPS entitlement payment.
- The entitlement usage rule will be removed. From 2021 it will not be necessary to use all entitlements once in every two years. This is not retrospective.
- The RPA will accept supporting documents and amendments to applications until 11th June, without applying reductions or penalties.
- Cross-border applications will be removed.
- The inspection process will be improved, so that before a visit, a list of records to be inspected will be received.
- Cross-compliance remains, however, penalties for noncompliance will be more proportionate where possible.
- Applicants will have eight weeks to apply for force majeure or exceptional circumstances (previously 15 days).

AGRICULTURAL TRANSITION (BPS DEDUCTIONS) – SOURCE DEFRA

PAYMENT BAND	2021	2022	2023	2024
Up to £30,000	5%	20%	35%	50%
£30,000 to £50,000	10%	25%	40%	55%
£50,000 to £150,000	20%	35%	50%	65%
£150,000 or above	25%	40%	55%	70%
ESTIMATED DEDUCTIONS	2025	2026	2027	2028
Up to £30,000	65%	80%	95%	100%
£30,000 to £50,000	70%	85%	100%	100%
£50,000 to £150,000	80%	95%	100%	100%
£150,000 or above	85%	100%	100%	100%

LUMP SUM AND DELINKING

Defra will offer the option of a lump sum payment of future BPS monies — all future annual payments will be capitalised up into a single amount. However, this will only be offered as a 'retirement option' — details of the rules are awaited. The earliest the lump sum will be available is in 2022.

Delinking breaks the link between the BPS and the need to occupy agricultural land. Claimants would be granted a future right to support, based on a reference period — if the land they occupy changes then this will have no effect on payments. They could even give up farming completely and still receive their BPS payments through to 2027. Delinking, originally intended for 2022, will not happen until 2024. When delinking occurs, BPS entitlements will no longer be needed. Cross-compliance would also end. A consultation on the details of both delinking and lump sum payments are expected soon.

FUNDING

The UK government has pledged that support to agriculture will remain at existing levels until 2024. As the BPS phases down, funding is released for other schemes. This will largely be **Environmental Land Management (ELM)** but a number of other new programmes will be introduced.

ENVIRONMENTAL LAND MANAGEMENT (ELM)

The 'flagship' of England's new agricultural policy will be the **Environmental Land Management (ELM)** scheme. This will put into practice the principle of 'public money for public goods' i.e. it will pay land managers to undertake actions that are not valued in the market, but are deemed to be beneficial to society.

A key point is that, even if payments under ELM are the same as those under BPS, the profit will be lower because farmers will be required to do something to get the payments.

ELM OBJECTIVES

Many of the objectives of ELM are familiar from previous agri-environment schemes, but there are new elements such as climate change, air quality and hazard protection. The wider scope of the scheme should mean more opportunities to enter for those businesses that have not found agri-environment schemes attractive in the past.

The six objectives of ELMs are as follows:

- **Clean air:** reducing ammonia and particulates
- **Clean & plentiful water:** limiting nitrogen and phosphate pollution, lowering sediments, ground and surface water protection
- **Thriving plants and wildlife:** habitats, species, protected sites
- **Hazard protection:** flooding, coastal erosion, droughts
- **Beauty, heritage & engagement:** landscapes, cultural heritage, public access, education, health
- **Climate change:** reducing greenhouse gas emissions, carbon capture, resilience to climate change

ELM DESIGN

ELM is to have three components:

- 1 **The sustainable farming incentive** — a broad (and shallow) offer that should be accessible to most farms
- 2 **Local nature recovery scheme** — requiring more positive management from farmers
- 3 **Landscape recovery scheme** — complex change of use over large areas such as afforestation, peat restoration, salt marsh recovery etc.

ELM will be launched in stages, but the main elements should be in place for a planned 'full' launch in 2024. The eventual goal is to have 82,500 land managers in England participating in the scheme.

Payment levels are not yet known. Under previous EU rules, payments were limited to 'Income Foregone'. This is no longer the case and it is expected that amounts could be more generous under ELM as a margin or incentive can be included. Whilst payments will have to be 'pitched' to make the scheme attractive to farmers, they are unlikely to be too generous as the Treasury will be looking for value for money. Over time, new methods of payments such as reverse auctions or payments-by-results are likely to be introduced.

COUNTRYSIDE STEWARDSHIP (CS)

Until ELM is fully launched in 2024, the CS scheme will remain open to new applications. The last application window will be in 2023 for a 1st January 2024 start date. Existing HLS and CS agreements that are coming to an end can be rolled over until ELM begins.

The RPA has stated 'no-one in a CS agreement will be unfairly disadvantaged' as the transition to ELM takes place. Those who enter a CS agreement from 2021 onwards will be able to end their agreement, at agreed points, when they have secured a place in ELM.

OTHER SUPPORT — CAPITAL GRANTS ETC.

ELM will be complemented by other programmes during the agricultural transition. A number of schemes will offer capital grants e.g. **Farming and Investment Fund**, building on the current **Countryside Productivity Scheme**. Other support will also be available to aid improvement in skills and training and to provide advice to help businesses through the transition period.

Additional programmes will also be put in place to aid farming in protected landscapes and animal welfare. Details of all the various funding streams are promised later in 2021.