

# Defra's environmental schemes



## OUR ASK

**A smooth and seamless transition to new environmental schemes that are open to all farmers and growers, less bureaucratic and ensure profitable long-term food-producing businesses.**

## Why it's needed

In 2018, Defra proposed the phasing out of direct payments to farmers and landowners and their replacement with 'public money for public goods', meaning farmers and landowners in England will need to apply for schemes based on environmental work they do beyond food production.

The main mechanism for delivering this funding is the Environmental Land Management (ELM) schemes. These include the new Sustainable Farming Incentive (SFI) and evolution of the existing Countryside Stewardship (CS) offer. Yet despite direct payments already being phased out to fund these new schemes, the main new scheme – SFI – is still not completely ready.

At the exact moment direct payments are being reduced, farming is facing a particularly challenging time, including huge agricultural input inflation, supply

chain disruption and record extremes in weather.

The full details of the future environmental schemes are not yet available, creating uncertainty and preventing businesses from planning ahead. The new SFI scheme payments are based on 'income forgone', meaning they just aim to cover farmers' costs for taking specific actions, and are unlikely to contribute to business viability.

There are particular challenges for tenant farmers, who manage over 60% of England's farmed area, as well as upland areas in general. Farmers in both situations are struggling to replace the income they previously received via direct payments through the ELMs route.

These concerns were echoed by the recently published Rock Review, which correctly identified that some tenants are being forced out of tenancies so

the landlord can access ELM and private environmental schemes themselves. The next government must implement the recommendations of the Rock Review to support the long-term resilience of the tenanted sector and recognise the importance of the uplands.

NFU modelling work in November 2023 showed that upland farm businesses will be unable to make up for the loss of income under the transition from direct payments if future environment scheme payments do not recognise the work they do for the environment and rural communities.



Despite the public goods that uplands farms deliver to the UK, our research showed that, on average, businesses lost 37% of their support payments under the SFI and CS options that were currently available to them.

The next government must support farming businesses by accelerating the roll out of SFI and ensuring it is properly financed by using at least 65% of the agriculture budget to fund it. It must also move away from the income forgone model to

ensure SFI genuinely rewards the provision of public goods. Many farmers have been long-term participants in previous Defra schemes, delivering public good for decades. They too are unable to make up the income shortfall.

## What it would deliver

The NFU have always shared the government's aim of designing an ambitious post-Brexit agricultural policy. The government says it wants to have 70% of farmers, working 70% of farmland, in SFI by 2028 – a target that the NFU supports.

Both the government's Environmental Improvement Plan and Net Zero Strategy

rely on strong farmer engagement in ELM to deliver their aims. Without the new environmental schemes being ready and offering the right incentives for participation, a lot of on-farm environmental work it is designed to pay for cannot begin. With more than 100,000 farmers in England, and only a small minority enrolled in SFI, there is much more work to do.

The next government must bridge the current gap in farmers' finances created by taking away one set of payments but not delivering access to their replacements on time. Doing this allow businesses to remain viable in the long term and deliver for wider society. This will ensure that farmers and growers can deliver for food production, the economy and the environment.

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