



Alice De Soer
Rural Response

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The End of Direct Payments

A Reality Check

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Back to the Future ... The Journey Begins



Agriculture Act 2020

CHAPTER 21

Explanatory Notes have been produced to assist in the understanding of this Act and are available separately

- The Agriculture Act 2020
 - Finally became law on 11th November 2020
- Sets legal framework for post-Brexit farm support schemes (amongst other things!)



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The Devil's always in the Detail ...



Known knowns – the details we already know



Known unknowns – the details we know are yet to come



Unknown unknowns – the information we don't even know that we don't know (the "surprises")

The Agriculture Act 2020 – What We Think We Know

- **7 year ‘agricultural transition’ period** – from 2021 to 2027
 - To avoid a ‘cliff edge’ for 84,000 English BPS claimants
- **Direct payments** (Basic Payment Scheme – BPS)
 - ‘Simplifying’ existing BPS rules
 - Phasing out BPS payments
 - ‘Delinking’ BPS payments and the option to offer one-off lump sum payments instead
- **‘New Financial Assistance Powers’** – the framework to design schemes that pay “public money for public goods”

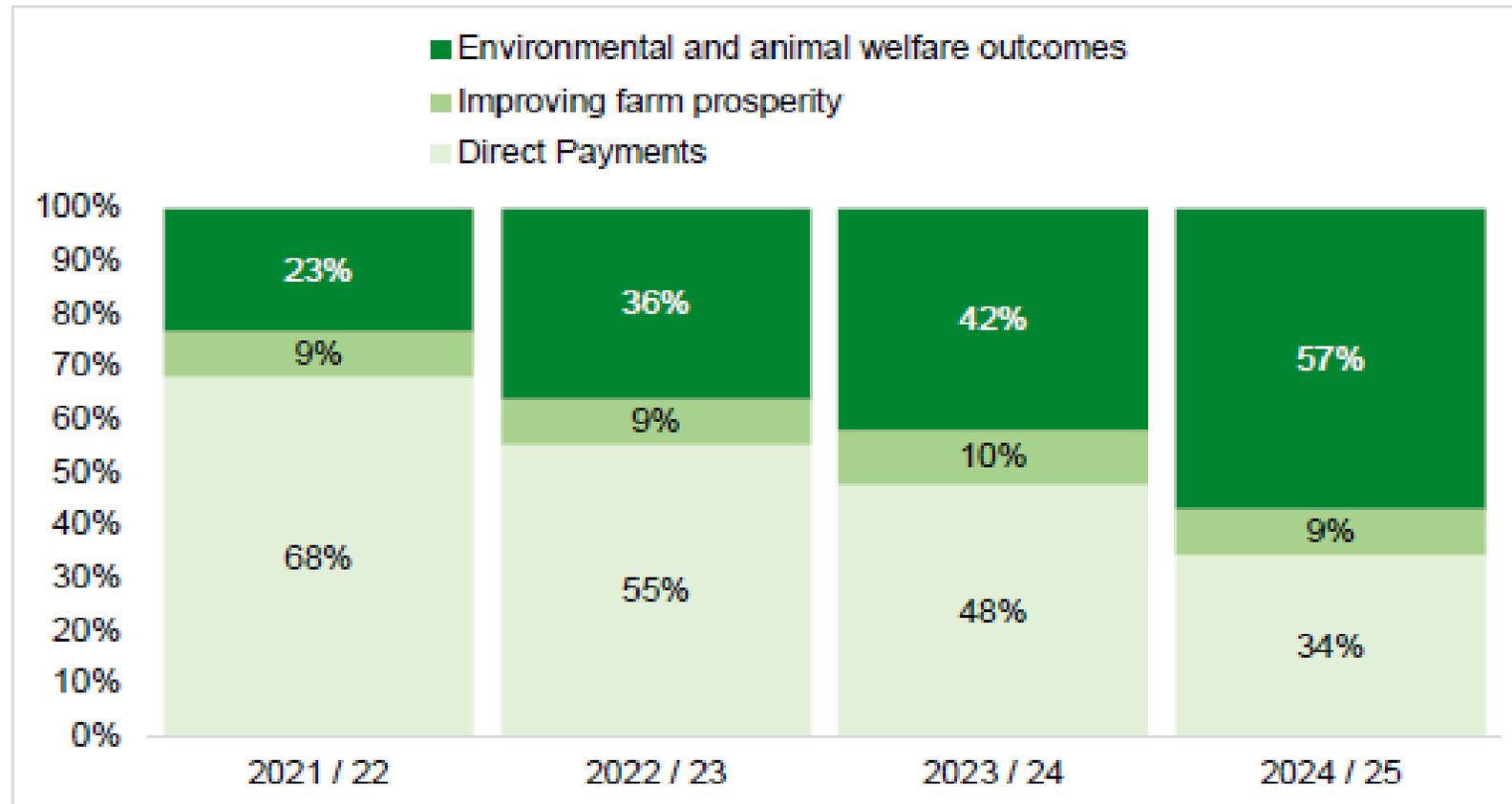
The Agricultural Transition Plan 2021-2024

- DEFRA published **‘The Path to Sustainable Farming: An Agricultural Transition Plan 2021 to 2024’** in November 2020
- Existing farm support schemes – Direct Payments, Countryside Stewardship and Environmental Stewardship
- New farm support schemes and grants:-
 - ‘Environmental and animal health outcomes’ – Environmental Land Management; Tree Health Scheme; Animal Health and Welfare Pathway funding; Farming in Protected Landscapes
 - ‘Improving farm prosperity’ – Farming Investment Fund; Innovation Research and Development Scheme; Slurry Investment Scheme; Farm Resilience Scheme; New Entrants Support Scheme

Future Funding?

- Government commitment to ‘maintaining the same level of funding for farming **throughout this Parliament**’ – based on 2019 funding levels
- Next general election – May 2024?
- All monies released from reducing Direct Payments are to be reinvested into ‘the new schemes for farmers in this Parliament’
- Average of £2.4 billion over first 4 years of agricultural transition period – 2021/22 to 2024/25

Figure 1: Funding plan for 2021/22, 2022/23, 2023/24 and 2024/25



Direct Payments, including Lump Sums



- 2021-2027 - direct payments will be phased out during 7 year agricultural transition period
- 2021-2023 – BPS continues
- BPS 2021 – first reduced payment (from 1 December 2021)
- 2024 – ‘delink’ BPS payment
- 2027 – final ‘delinked’ payment
- 2028 – no direct payments

Phasing out Direct Payments

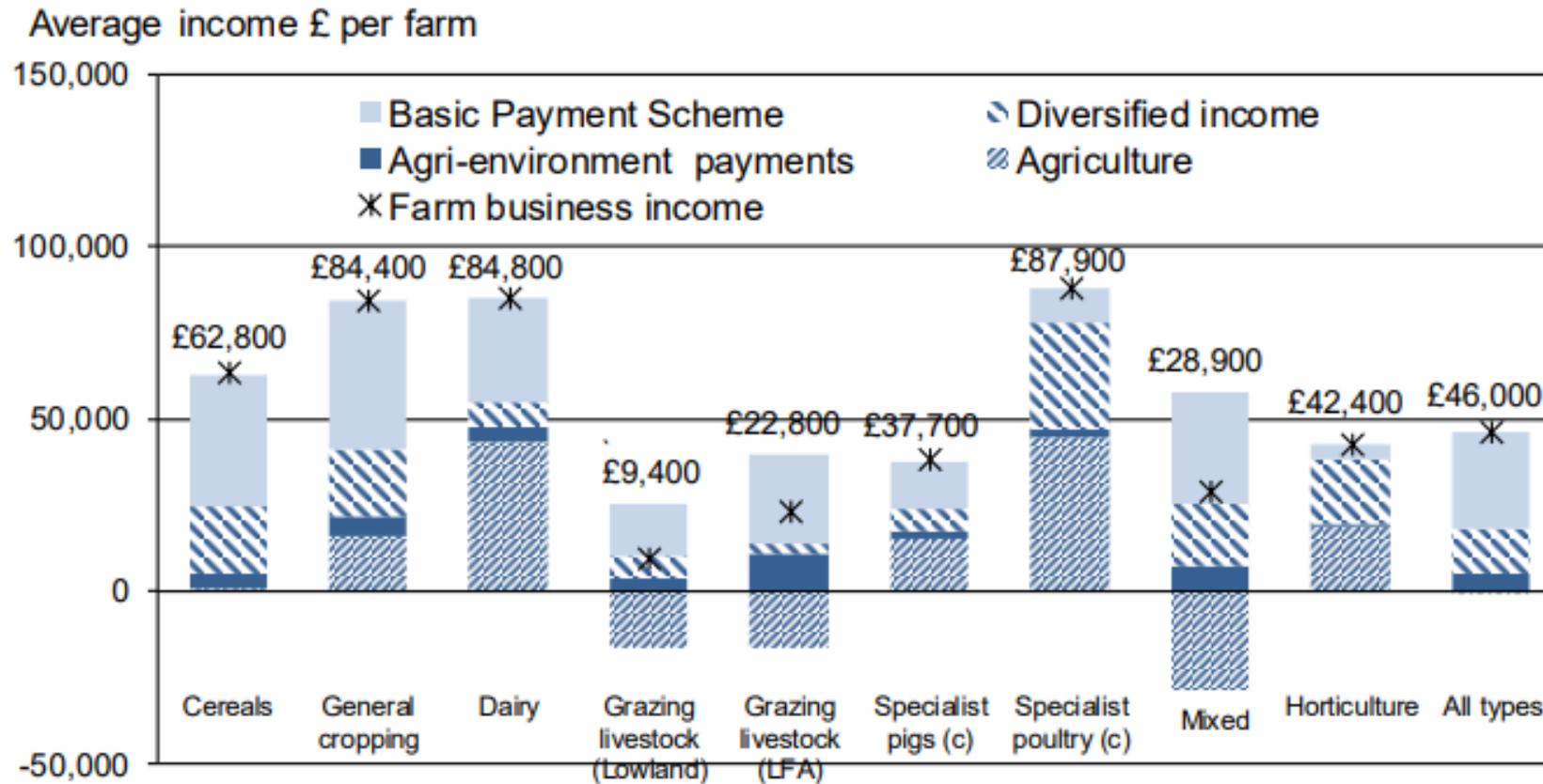
Payment Band	2021 scheme year	2022 scheme year	2023 scheme year	2024 scheme year
<=£30,000	5%	20%	35%	50%
£30,000 to £50,000	10%	25%	40%	55%
£50,000 to £150,000	20%	35%	50%	65%
>£150,000	25%	40%	55%	70%

- DEFRA has published direct payment reductions for 2021-2024
- Applies like income tax bands
- That money is being reinvested to fund the new schemes

Reductions to Direct Payments – Some Examples

Payment value before progressive reductions	2021 scheme year	2022 scheme year	2023 scheme year	2024 scheme year
£5,000	£4,750	£4,000	£3,250	£2,500
£10,000	£9,500	£8,000	£6,500	£5,000
£20,000	£19,000	£16,000	£13,000	£10,000
£40,000	£37,500	£31,500	£25,500	£19,500
£80,000	£70,500	£58,500	£46,500	£34,500
£160,000	£134,000	£110,000	£86,000	£62,000

No Direct Payments from 2028 – The Impact?



DEFRA Farm Business Income (Net Profit) 2019/20

Table 2.1 Farm Business Income by Farm Type and Cost Centre (£ per farm) ^(a)

Farm Type	Agriculture	Agri-environment payments	Diversified income	Basic Payment Scheme	Farm business income
Cereals	800	4,400	19,600	38,100	62,800
General cropping	16,100	5,900	19,000	43,400	84,400
Dairy	43,200	4,100	7,400	30,100	84,800
Grazing livestock (Lowland)	-16,300	3,900	5,900	15,800	9,400
Grazing livestock (LFA)	-16,600	11,300	2,600	25,500	22,800
Specialist pigs ^(b)	15,000	2,600	6,600	13,500	37,700
Specialist poultry ^(b)	44,900	2,000	30,700	10,300	87,900
Mixed	-29,000	7,000	18,200	32,700	28,900
Horticulture	18,600	1,000	18,800	4,000	42,400
All types	-100	5,300	13,000	27,800	46,000

'Delinking' BPS Payments

- 2024 - BPS payments are to be 'delinked' from land – same year that E.L.M. is due to be fully rolled out
 - No requirement to be a 'farmer' carrying out an 'agricultural activity'
 - BPS entitlements no longer needed
- Who could be eligible for the 'delinked' payment?
 - BPS claimant (SBI?) in an historic reference year(s)
 - Which year(s)? Known unknown. 2019? 2020? 2021? Later?
 - New entrants starting after reference year(s) likely to be ineligible
- What if BPS claimant's business structure changes between reference year(s) and year BPS is delinked? Who gets paid what?
 - Splits, mergers, inheritance

'Delinked' Payment Value?

- Current BPS payment based on area – eligible land + entitlements
- 'Delinked' payment – no eligible land and no entitlements
- How could 'delinked' payment value be calculated?
 - A 'reference amount' - BPS payment value the eligible claimant was 'entitled to' in an historic Scheme year or an average of Scheme years
 - Which Scheme year(s)? Currently unknown
- The delinked payment value then phased out to nil in 2028

Lump Sum Exit Scheme

- DEFRA is looking to offer a one-off optional lump sum exit payment in 2022
 - Instead of BPS or delinked payments during rest of agricultural transition period
- For farmers who “meet relevant conditions, including leaving the sector”
 - What could “leaving the sector” look like? Can they still occupy land? No further need for entitlements?
 - What other “conditions”? A bar on re-entering the sector? Could they still access agri-environment schemes?
- Rules yet to come on the detail (DEFRA consultation shortly), including:-
 - Determining the value of the lump sum and any maximum payment amount/ cap
 - Eligibility for the payment, including whether applications should be prioritised “to manage affordability” and how that could be done

Plugging the BPS Funding Gap?

- From late 2024, Environmental Land Management (E.L.M.) replaces BPS & CS
 - But BPS payments reducing from 2021 through to 2024 (and beyond)
- What's available 2021-2024?
- 2021-2024: 3 Year E.L.M. National Pilot, but limited numbers
- 2021-2023/4: Countryside Stewardship (CS)
 - May give some funding certainty as BPS payments reduce
 - Higher Tier, Mid Tier, Wildlife Offers – agreements starting 1st January 2022
 - New Capital Items package
 - CS agreements starting 1st January 2021 or later can end early if accepted to E.L.M.
- 2022 and 2023: 'Early' Sustainable Farming Incentive

Longer term ... Environmental Land Management

- Key principle of Environmental Land Management (E.L.M.) = pay farmers/ land managers 'public money' for using their natural assets to deliver 'public goods'
- **Natural assets** on the holding – such as: soil, hedges, woodland and trees, water (ponds, rivers, etc.), hay meadows, saltmarsh, improved and unimproved grassland and moorland
- **Environmental 'public goods'** – the outcomes/ benefits the natural assets can deliver, for example: reduced flood risk, improved biodiversity and habitats, climate change adaptation and mitigation, improved water/ air quality, attractive landscapes
- Three schemes under E.L.M.: Sustainable Farming Incentive (SFI), Local Nature Recovery, and Landscape Recovery

Sustainable Farming Incentive

- Entry level route to “help farmers embed environmentally sustainable practices into their businesses” (*DEFRA*)
 - Keep it simple - “broadly accessible to all farmers”
- Phase 1 Pilot – EOIs from March 2021 – around 1,000 participants
- Earlier introduction of ‘prototype’ – 2022 and 2023
 - To give financial support as BPS payments reduced from 2021
 - Initial focus on BPS payment recipients
- Fully available from later 2024
- Pay for actions (not outcomes) e.g. field margins, cover crops, etc.
 - Income foregone/ costs incurred (compensatory payment)?

Local Nature Recovery

- A 'higher level' scheme – to deliver a broad range of 'high value' environmental benefits 'to the local environment'
 - Local governance and delivery structure?
 - Environment Bill – Local Nature Recovery Strategies (LNRS) – how could those interact with Local Nature Recovery under E.L.M.?
- Encourage collaboration between farmers/ land managers to deliver landscape scale environmental benefits (e.g. farmer clusters, CSF)
- Pay for actions and outcomes? More than income foregone/ costs?
- Require a Land Management Plan (LMP) to access? Mapping ...
- Competitive entry? Eligibility criteria?

Landscape Recovery

- National landscape scale land use change to deliver national policy objectives – e.g. carbon net zero commitments
- ‘10 Point Plan for a Green Industrial Revolution’
 - Point 9 – establish 10 long-term ‘Landscape Recovery’ projects
 - Pilot through E.L.M. – establish between 2022 and 2024
- ‘Landscape-scale’ recovery areas
 - Restore equivalent of over 30,000 football pitches (0.62-0.82 ha per pitch *FIFA*) of ‘wildlife rich habitat’
 - Peatland restoration and tree planting to create carbon sinks and improve natural flood defences

The Transition from BPS/CS to E.L.M.

Year/ Scheme	2021	2022	2023	2024	2025	2026	2027	2028
Direct Payments	BPS Phasing Year 1	BPS Phasing Year 2	BPS Phasing Year 3	Delinked Payment Phasing Year 4	Delinked Payment Phasing Year 5	Delinked Payment Phasing Year 6	Delinked Payment Phasing Year 7	No Delinked Payment
CS	“Simplified” version available – Apply in 2021, 2022 and 2023. Final agreements start 2024				CS no longer available			
E.L.M.	Tests and Trials							
	Piloting – over 3 years, starting with Phase 1 SFI Pilot							
		Sustainable Farming Incentive (SFI) Prototype in 2022 and 2023, full version from 2024						
					Local Nature Recovery – from late 2024			
				Landscape Recovery – from late 2024				

One Size Won't Fit All

- Circa. 84,000 English BPS claimants to transition to the 'new' world in 2028
 - With E.L.M. being the centre of future policy in England – many of these BPS claimants will have little or no previous experience of agri-environment schemes
 - But 7 years to adjust – remember phasing out historic value under SPS
- Evaluate impact of phasing out direct payments on BPS claimant's business now
- The future will involve delivery of environmental services – public and private funding opportunities
 - Environmental services can co-exist with food production/enhance productivity e.g. soil
 - May be more appropriate for land type if food production not economically sustainable

Evaluate, identify opportunities, prepare and adapt



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