



Are you prepared for the phasing-out of direct payments?

A guide to the emerging
UK agricultural policy

Carter Jonas

Farm support is changing throughout Europe with the next round of the Common Agricultural Policy due in 2023 introducing a new way of working with nine objectives for social, environmental and economic sustainability. Following Brexit, the UK is able to design schemes which better suit the needs of rural businesses, introducing fundamental change in the way that farmers and landowners are supported by the government. With a move away from direct payments to environmentally focussed support schemes, rural businesses will need a major shift.

In this document, we give an overview of the emerging policy and detail of funding that will replace the existing system, so that you can begin to consider how these may impact your business and what action you may need to take.

For further information, visit our website at carterjonas.co.uk, or get in touch with a member of the team listed on the back cover of this booklet.

Executive summary

- The final year of Basic Payment Scheme (BPS) payments will be 2027, with the scheme due to end in 2028
- Farmers who wish to retire from the industry will have the option to receive a lump sum payment, subject to a cap of £100,000
- The final deadline for the last round of Countryside Stewardship applications will be in 2023
- The government has outlined the three core themes which combine to form the new Environmental Land Management Scheme, however, pilot scheme participants have observed that the application process is “paperwork heavy”
- Under the Sustainable Farming Incentive, meeting the necessary soil standards for arable land should be a straightforward and low-cost process

The phasing-out of the Basic Payment Scheme

Funds for farmers are due to be diverted away from the direct support payments which are currently paid via the BPS, towards schemes that will deliver “public goods” for which the government is prepared to pay. Farmers are encouraged to assess the impact of this change on their businesses, and we have outlined below a brief summary of the future payment changes.

Direct payments through the BPS will be reduced by the following percentages between 2021 and 2024:

Payment band	Scheme year			
	2021	2022	2023	2024
Up to £30,000	5%	20%	35%	50%
£30,000 – £50,000	10%	25%	40%	55%
£50,000 – £150,000	20%	35%	50%	65%
More than £150,000	25%	40%	55%	70%

It is currently unknown what the gradual percentage reductions will be between 2025 and 2027.

Lump Sum Exit Scheme

Farmers who wish to leave the industry and retire now have the option to receive a lump sum payment. It has been proposed by the government that this payment will be worth 2.35 times the average annual BPS payment received between 2018 and 2020, subject to a cap of £100,000.

It is currently unknown whether the lump sum will be taxed or not.

This is a one-off scheme for applications made in 2022 only, and more specific details regarding the mechanics of this scheme are due to be released within the coming months. However, the question to ask is: with such a large funding gap appearing on the horizon, what is going to fill the void for those who wish to continue farming?

We recommend that succession is considered before choosing this option.



Countryside Stewardship Scheme

The Countryside Stewardship Scheme (CSS) enrolment is still available. The deadline for the last applications will be in 2023, with a commencement date for the final schemes in January 2024. Defra has confirmed that all CSS agreement holders with a post-2020 scheme start date will be able to surrender their agreements in favour of incoming Environmental Land Management Schemes, without incurring any penalties.

Farmers can continue to apply for capital grants until summer 2023, with agreement lengths being capped at a maximum of two years. Capital grants have been split into the following categories, with a £20,000 limit for each of the three groups, and an overall cap of £60,000:



1. Boundaries, trees & orchards



2. Water quality



3. Air quality

At the Oxford Farming Conference in January 2022, it was announced that the payment rates for Countryside Stewardship were being increased by around 30% for agreements starting on 1 January 2022 and going forwards for new agreements starting on 1 January 2023.

Facilitation Fund

The Facilitation Fund helps groups of farmers, land managers and other environmental stakeholders to improve their natural environment. Typically, groups of farmers will prioritise one or two environmental issues that directly affect their holdings - for example water quality or farmland bird habitats. The funding provides the group with a third-party facilitator who assists in the running of the group, organising informative events and coordinating environmental activities on a landscape scale. This is now open, and closes on 19th January 2022.

Environmental Land Management Scheme

The incoming policy of the new Environmental Land Management Scheme (ELMS), which appears to be heading in the direction of 'public money for public goods,' is split into three components:

1 Sustainable Farming Incentive

This is the first of the components to launch in 2022; initially only for those farmers who currently receive payments under the BPS. Actions will be grouped into simple packages, with introductory, intermediate and advanced levels, so as to avoid penalising those farmers that have already implemented environmentally-conscious practices.

The four standards for 2022 and their payment rates are as follows:

Arable and Horticultural Soil Standard

£22/ha or £40/ha

Improved Grassland Soil Standard

£28/ha or £58/ha

Moorland and Rough Grazing Standard

£148 per agreement plus £6.45/ha

Animal Health and Welfare Review (per review)

Pig - £684

Sheep - £436

Beef - £522

Dairy - £372

About the standards:

- A three-year agreement but flexible to be amended every 12 months, mainly to increase the area of land or improve the standard complied with.
- The window is open for 10 weeks initially
- Payments are made quarterly, in arrears.
- For soil, organic matter will be tested and reviewed annually, measured against tests within last five years.
- For arable, 70% winter cover with green crop is required, along with adding 1/3 organic matter to soils per year, which could include incorporating a green cover crop.
- For grassland, 95% green cover is required and, for the intermediate level, herbal leys to 15% of land.

What we know about future SFI standards

- In 2023, nutrient, pest and hedgerows will be added.
- In 2024, agroforestry, more grassland standards, water body buffering and farmland biodiversity will be added.
- In 2025, organic, on-farm woodland, specialist horticulture, heritage and dry stone wall will be added.
- All the standards will be reviewed each year, and pilots will be carried out before each new standard is introduced. Payments rates will be reviewed to encourage uptake and extra standards will be added up to 2030 to help achieve targets, like carbon net zero.
- For the first time, it has been confirmed that, although double funding is not allowed, SFI can be claimed and then topped up with a third party carbon scheme is a potential. Risk based assessment, to be reviewed

2 Local Nature Recovery

Local Nature Recovery will pay farmers to change their current practices and make space for nature. Its aims to manage and create wildlife habitats, add trees and hedgerows, restore

peatland and wetlands and restore coastal habitats.

Agreements will last seven years with the ability to add options and extra land during the agreement. Although designed for individual farmers, it will encourage collaboration with neighbours.

It will be tested in 2023 and rolled out in 2024, but more detail is required, which should be released later this year.

Countryside Stewardship scheme should be regarded as a bridge to Local Nature Recovery.

3 Landscape Recovery

Landscape Recovery is even bigger in scale and longer-term than Local Nature Recovery (sites from 500 ha to 5,000 ha and potentially involving 20 year agreements). It will support more radical change to land use - for example by establishing nature reserves, restoring floodplains, or creating woodlands and wetlands. It is likely to involve a responsible body to monitor progress over time. Pilot schemes will be established this year, using two central themes (threatened native species recovery; and restoring waterbodies and improving water quality).

Farming in Protected Areas

This scheme is available for farmers in Areas of Outstanding Natural Beauty (AONB), National Parks (NP) and the Norfolk Broads. The scheme is non-prescriptive, with applicants invited to state the type of project that they wish to undertake.

The Farming Investment Fund

This fund is divided into two parts, each of differing levels of value, as described below.

Part 1: The Farming Equipment and Technology Fund

This fund is a replacement of the Countryside Productivity Small Grant (CPSG) Scheme, where an application can be made to apply for a grant to purchase items from a set list of equipment, technology and small infrastructure investments. This is for grants between £2,000 and £25,000. Round 1 application period closed on 7 January 2022, we are uncertain as to whether this funding will be available again.

Part 2: The Farming Transformation Fund

This fund provides grants towards large capital items to help improve productivity, profitability, and environmental sustainability. For grants between £35,000 and £500,000.

The grants are split into the following sections:

- Water Management
- Improving Farm Productivity
- Adding Value

The Water Management grant application checker closed on 12 January 2022. We are uncertain as to whether this funding will be available again.

The Improving Farm Productivity grant will be to improve farm and horticulture productivity by providing grants towards robots, systems to aid crop and livestock production or slurry acidification equipment. Applications should open imminently.

The Adding Value grant should open early this year for applications.



Slurry Investment Scheme

The aim of this scheme is to upgrade slurry storage systems, to reduce the pollution incident and cut emissions. This will be launched in 2022.

Tree Health Pilot Scheme

This scheme is to enable landowners to apply for funding to assist with reducing the spread of pests and disease. The Forestry Commission will invite people and groups in target areas to take part in the pilot scheme, which is running from August 2021 to 2024.

Farming Innovation Programme

The programme is for agri-tech innovation to support farmers, growers, foresters and other businesses to embrace innovative ways to maximise productivity and drive sustainability. The programme closed on 12th January 2022.

Local/Regional Grants

We are aware of local and regional grants from public and private sectors, please contact your local agent for more details.



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THE COUNTRY,
INCLUDING
14 RURAL TEAMS**

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Birmingham	Northampton
Bristol	Oxford
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Cambridge North	Shrewsbury
Cambridge South	Taunton
Cardiff	Truro
Harrogate	Warrington
Kendal	Winchester
Leeds	Winchester Residential
Long Melford	York
Marlborough	
National HQ One Chapel Place	Marylebone & Regent's Park
Barnes	Mayfair & St James's
Fulham Bishops Park	South Kensington & Knightsbridge
Fulham Parsons Green	Wandsworth
Holland Park & Notting Hill	

Expertise in rural property is part of Carter Jonas' heritage, and our first ever estate-owning client is still with us after more than 160 years, though nowadays the total area managed by our rural teams is over 1.3 million acres, and we offer a wealth of complementary services to the rural property sector.

We are able to carry out whole farm health checks to see what shape your business is in and provide advice on the grants along with putting together the applications.

**If you would like
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