giving nature a home

Public Bill Committee for the Agriculture Bill: RSPB supplementary written evidence submission on the agricultural transition, 2021-2028

18th February 2020

1. This is a supplementary submission designed to accompany our many written evidence submitted to the Agriculture Bill committee, and should be read in tandem with that submission. This supplementary submission focuses on the agricultural transition period between 2021 and 2028, the move away from the direct payments, and the introduction of new policies.

2. The Agriculture Bill represents a necessary but potentially seismic change in agriculture policy for England. A just transition will be essential in order to ensure that farmers are able to adapt to this change and deliver the public goods that are the object of financial assistance within the Bill.

3. The RSPB has previously made the case for a Transition Fund in our response[1] to the 2018 Health and Harmony consultation. **We remain concerned that Defra has not done enough to provide clarity to farmers** on what support they can expect during the transition and urge Defra to provide this before the bill receives royal assent.

4. We do **strongly support the start date for the seven-year agricultural transition of 2021**. We are of the view that the crucial aspect of the transition is not when it starts, or even how long it is, but rather what support is available during the transition, and what policy choices Defra make with regards to the profile of reductions in direct payments, and when and how new policies (transitional or permanent) are introduced.

5. To highlight this, we have undertaken some initial analysis of the optimum profile of direct payments reductions, based on the progressive approach that Defra have previously indicated they will adopt. **This analysis is based on a series of assumptions and partial knowledge, and should not be used by farm businesses to interpret what impact future policy changes may have on them.** It is as purely illustrative and intended to help inform future policy.

6. This analysis suggests that, with the right profile of reductions, and timing of new policy, it is possible to avoid the 'trough effect' that some have raised concerns about whereby many farmers could see a drop in support before new environmental land management (ELM) and other financial assistance schemes become available

7. This is based on an approach to reducing direct payments that splits the total claimant population into deciles by value, and then applies a percentage reduction to payments on this basis. These decile values are set out in Table 1, with the decile value showing the highest value payment in that band[2]. This approach would see a rapid reduction in direct payments for the largest claimants, but a much slower reduction for average farm businesses. The mean average payment in 2018 was ~£20,000, although the average for commercial farming operations is likely to be slightly higher, as this will include a large number of small claims.

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[1] https://ww2.rspb.org.uk/Images/RSPB_Health_and_Harmony_response_May18_tcm9-454933.pdf

[2] For example, the £4,601,624 was the highest payment in 2018, whereas £10.001 was the payment at the top of the bottom decile by value

Decile by Value	***£10,001***	***£17,808***	***£25,918***	***£35,280***	***£46,634***	***£62,204***	***£84,699***	***£121,089***	***£199,678***	***£4,601,624***	**Total Direct Payments – England**
2020	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	£1,827,393,000
2021	**0**	**0**	**5%**	**5%**	**10%**	**10%**	**10%**	**10%**	**25%**	**25%**	£1,734,318,427
2022	**0**	**5%**	**10%**	**10%**	**10%**	**10%**	**25%**	**25%**	**50%**	**50%**	£1,642,933,037
2023	**5%**	**10%**	**10%**	**10%**	**25%**	**25%**	**50%**	**50%**	**100%**	**100%**	£1,450,152,905
2024	**10%**	**10%**	**25%**	**25%**	**50%**	**50%**	**100%**	**100%**	**100%**	**100%**	£1,205,199,593
2025	**10%**	**25%**	**50%**	**50%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	£948,917,888
2026	**25%**	**50%**	**75%**	**75%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	£696,969,833
2027	**50%**	**75%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	382,328,572
2028	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	£0

Table 1 – Percentage reductions applied to direct payments during the seven-year transition period. Bands based on the total population of direct payments split into deciles by value, with a percentage reduction applied to each band in order to achieve a progressive and managed transition

8. This would lead to an overall profile for reductions that was relatively linear when looking at all those who receive direct payments, with a steady start accelerating to release funding for new policies as they became available. This is shown in Figure 1 below. For smaller farms however, typically less able to adapt to policy change, the trajectory under this scenario would be much more gradual at first, with payment reductions only accelerating as new financial assistance schemes under the Agriculture Bill become available to all from 2024 onwards, especially the proposed Environmental Land Management (ELM) scheme. As an example, the trajectory for a direct payment of £20,000 in 2020 is shown in Figure 2.

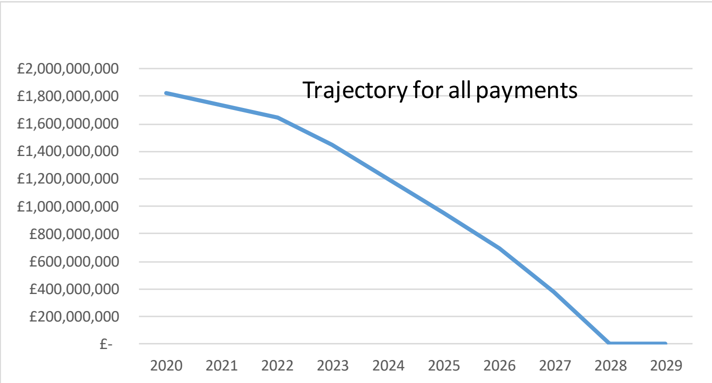

Figure 1 – Trajectory for all payments between 2020-2028

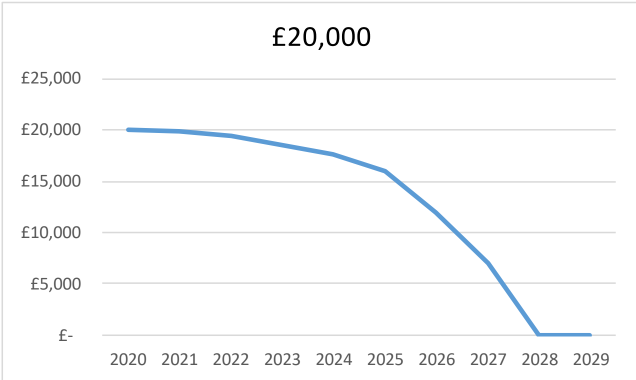

Figure 2 – Reductions for a payment of £20,000 between 2020-2028

9. This progressive approach to moving away from direct payments will therefore enable smaller farms, typically more dependent on direct payments, to adapt to a new payments system without experiencing a significant gap in payments. Figure 3 below sets the payment of £20,000 against two higher payments, to illustrate how this compares across payment levels.

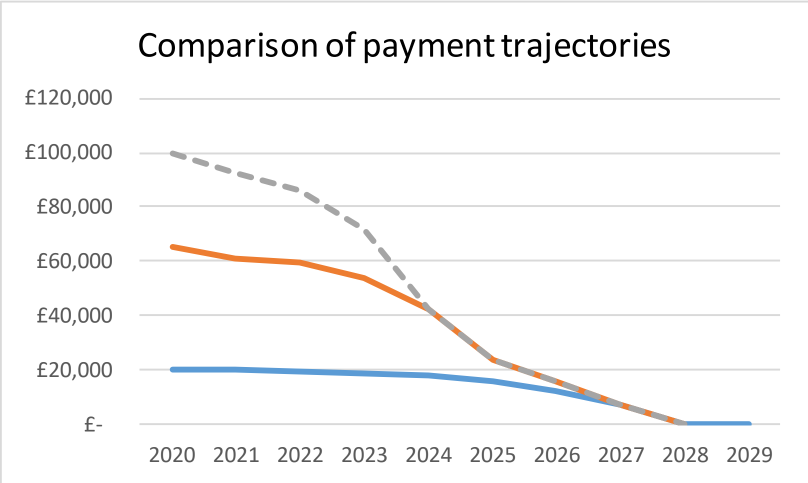

Figure 3 – Reductions for direct payments of £20,000, £65,000 and £100,000 between 2020-2028

10. All experience a relatively steady start to reductions, enabling farmers time to plan when the agricultural transition starts in 2021. This steady start means that there can be no justification for delaying the start of the transition beyond 2021, as the reductions in the first 2-3 years will be within what has been normal variation for farm businesses in the context of euro-sterling currency fluctuations over the last decade.

11. This progressive approach, which Defra committed to,[3] would therefore lay the basis for a just and managed transition. The manifesto pledge to maintain overall levels of support should provide the political space to get this right. The key factor in getting it right, beyond a staged approach to moving away from direct payments, is what support Government make available in the future, and how that is introduced. **It is impossible to say now what payments farmers will receive through ELM and other schemes.**

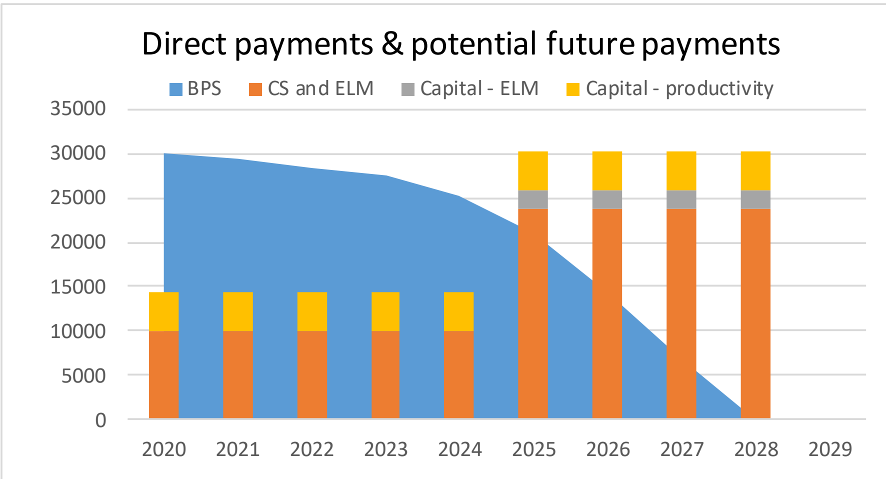

Figure 4 – Direct payments (Basic Payment Scheme – BPS) and potential income from ELM

[3] https://www.gov.uk/government/publications/the-future-for-food-farming-and-the-environment-policy-statement-2018/health-and-harmony-the-future-for-food-farming-and-the-environment-in-a-green-brexit-policy-statement#moving-from-the-old-system-to-the-new

12. With this caveat, Figure 4 above illustrates a notional future income from future financial assistance schemes against the profile of reductions for a direct payment of £30,000 in 2020. This current and future income is modelled on the payments received at the RSPB's Hope Farm[4]. The direct payments at the farm have fluctuated with exchange rates from around £25,000 to nearly £40,00 in the last five years, and £30,000 is a broad five-year average. The farm is currently in a mid-tier Countryside Stewardship agreement, with payments of around £10,000 per year, and capital payments of £20,000 for the whole agreement. The majority of these are associated with track renewal, and have therefore been identified as productivity grants.

13. The future payments are much less certain. In 2017 and 2019[5], the RSPB, National Trust and The Wildlife Trusts commissioned an independent economist to calculate the total land management costs across the UK. As part of this project, a spreadsheet model was developed identifying costs for a range of land management interventions, such as wildflower margins. The payments identified in Figure 4 are derived from this spreadsheet model[6], and the difference between ELM and CS payments are largely explained by £10,816 in payments per year for cover crops. With soil quality recently identified as a major priority for ELM by Defra, and Ministers stressing that ELM will be different to previous agri-environment schemes, it seems a reasonable assumption that this is the sort of intervention that may be supported through ELM that has previously not been supported at scale. The capital ELM payments are associated with hedge laying, and we have assumed that the productivity payments will continue at the current level.

14. The scale of land management at Hope Farm is compatible with conventional arable farms, with the future ELM payment based on the in-field measures in Table 2, alongside boundary and woodland management. The farm is 179ha, with 10.5% of the farmed area, or 11% of the arable area (169ha) dedicated to these land management measures. This scale of management can lead to major benefits for crop production, as well as for public goods[7].

Nectar and pollinator options	**Ha**
Nectar Flower Mix	3.27
Flower Rich Margins and Plots	4.37
Options for nesting, hibernation and sheltering for insects and birds:	
Buffer strips on cultivated land	3.41
Beetle banks	0.23
Nesting plots for lapwing	2.00
Cultivated areas for arable plants	0.26
Choice of winter bird food options:	
Winter Bird Food	5.18
Skylark plots	
Area of winter cereals with skylark plots	80.00
Resource Protection Measures	
Winter cover crops	90.00
Total non-cropped habitats	**18.72**

Table 2 – Areas of in-field measures at Hope Farm

[4] See https://www.rspb.org.uk/globalassets/downloads/about-us/hope-farm-update-2017.pdf

[5] Rayment M (2019) Paying for public goods from land management: How much will it cost and how might we pay? Final Report for the RSPB, the National Trust and The Wildlife Trusts.

[6] The costings in this model are based on income foregone plus costs, using 2018 market prices

[7] Pywell, R.F., et al (2015) Wildlife-friendly farming increases crop yield: evidence for ecological intensification. Proc. R.Soc. B 2015 282 20151740;DOI1098/rspb.2015.1740.

15. Figure 4 helps to illustrate that, with a phased and progressive approach to moving away from direct payments, starting in 2021, and a timely introduction of ELM and other long-term financial assistance schemes in 2024/25, many farmers should not have to experience a gap in payments.

16. Alongside the transition to financial assistance schemes based on public goods, there is however also a **major need to provide a range of interventions to enable farmers to adapt to this transition**. As part of a transition fund, this funding could cover, amongst other things, business advice, land management advice, skills training and capital support to invest in on-farm infrastructure than can provide both business and environmental benefits. Rayment (2019) estimated that the annual costs of providing environmental land management advice in England to be £34m per year, and the costs of providing business advice to hill farmers in England to be £3m per year. For a relatively small amount of funding relative to the main financial assistance schemes, some targeted investment from Defra could make a huge difference to the success of the agricultural transition.

17. When looking at the implications of this analysis for spending across all schemes in the transition period, and the need to secure a just transition for farmers, it becomes apparent that **the profile of spending during this period will not be flat, but will require a spike in investment around 2024**. This coincides with a period when Government plans to introduce new schemes, especially ELM, whilst levels of direct payments are still around half their current level, before dropping off rapidly toward 2028. This is illustrated in Figure 5 below. The requirement in Clause 4(3) of the bill to have a multi-annual financial plan that lasts for seven years from 1 January 2021 provides an opportunity for Defra to provide this degree of certainty for farmers, and set out the funding associated with schemes over the whole of the agricultural transition.

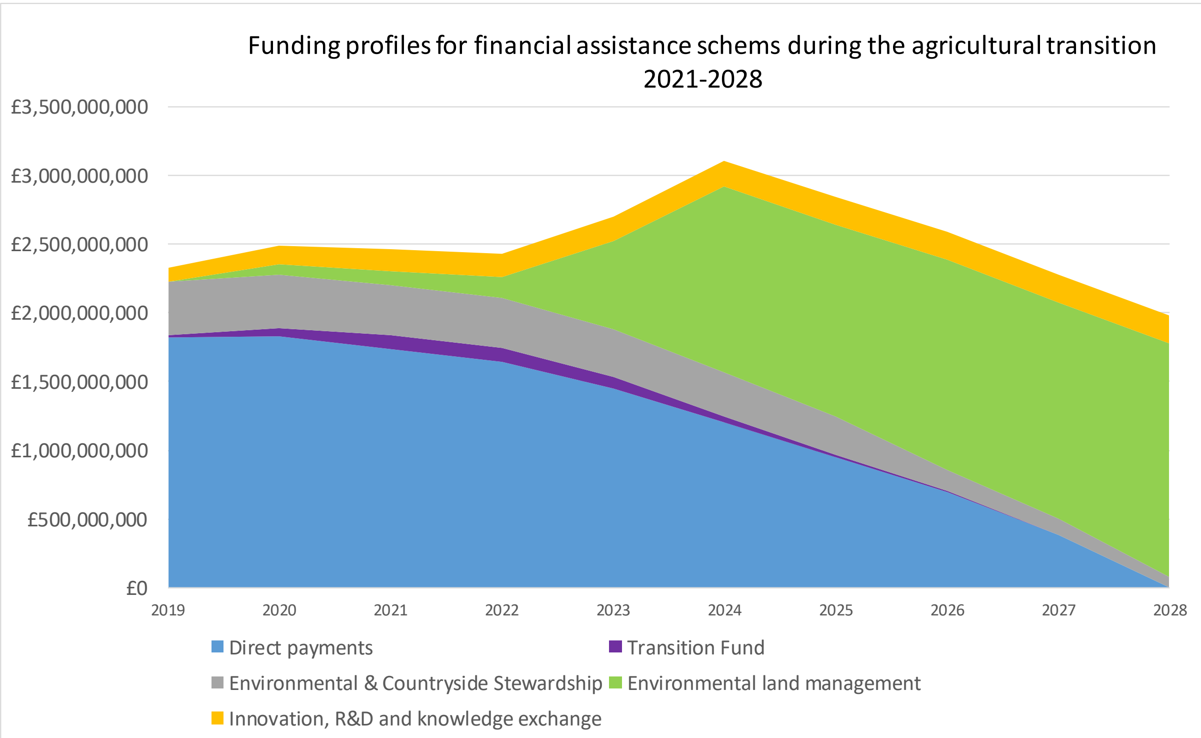

Figure 5 – Cumulative profile of spending on financial assistance schemes during the agricultural transition period

18. The profile in Figure 5 assumes that the value of direct payment entitlements in this period is realised annually. However, there is provision in the bill to 'delink' entitlements from land,

allowing farmers to realise the value of these in a lump sum. Defra has suggested that the earliest date at which this de-linking may occur is 2022.

19. De-linking could feasibly play an important part in a just transition, by enabling farmers to realise the full value of their entitlements, and therefore provide them with an amount of money that could be re-invested in their business, or be used to achieve a managed exit. For example, tenants who want to retire, but have no pension provision, capital or savings. There is significant risk in de-linking, as it would also entail the loss of the cross-compliance condition on payments. Defra should therefore only move ahead with it when they have a new system of farm regulation in place, and means of enforcing these standards.

20. If Defra can develop a new regulatory system with sufficiently robust enforcement, and capacity to provide the necessary associated advice (see our main evidence submission for more details), it is better to de-link early in the agricultural transition. This will help provide the necessary impetus to develop new policies, but crucially will also ensure that the policy of de-linking has the maximum benefit for farmers. As any lump sum is based on the value of entitlements during the transition, the longer Defra wait to do it, the lower the lump sum that a farmer will be able to realise. This is illustrated for a direct payment of £65,000 in 2020 in Table 3 below. In short, the longer Defra wait to de-link, the less point there is in the policy.

Year	Annual direct payment	Potential lump sum
2020	£65,000.00	N/A
2021	£61,154.48	N/A
2022	£59,471.10	£202,225.85
2023	£53,843.20	£142,754.75
2024	£42,593.52	£88,911.55
2025	£23,592.81	£46,318.03
2026	£15,772.72	£22,725.23
2027	£6,952.51	£6,952.51
2028	£0.00	£0.00

Table 3 – An indicative value of a lump sum payment associated with de-linking for a direct payment worth £65,000 in 2020. This is based on the profile of reductions set out in Table 1.

21. Figure 5 also illustrates that there will be **significant levels of ongoing expenditure on the existing agri-environment schemes in England**, Environmental Stewardship (ES) and Countryside Stewardship (CS). For the next five years, these will remain the principal means of supporting farmers and land managers to deliver public goods, and for Government to meet its commitments, for example in the 25 year environment plan. Both schemes remain beset by issues, particularly a lack of capacity to provide advice, and ongoing issues with IT. In order to ensure these schemes are effective, and to retain confidence that the direction of travel for future policy is credible, Defra must now invest in these schemes to address these issues. They should provide funding to Natural England to increase their capacity to service demand for the higher-tier of CS, and **publish a 'Stewardship Improvement Plan'**, that lays the groundwork for a public money for public goods approach to farm support in the future.

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