



Department
for Environment
Food & Rural Affairs

Farming for the future

Policy and progress update

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Contents

1. Introduction	5
The importance of food production.....	5
2. Public money for public goods	8
Environmental Land Management Scheme (ELM).....	9
Plant and tree health	13
Animal health and welfare pathway.....	14
Supporting a prosperous and productive sector.....	19
3. Preserving our rural resilience	25
4. Farming ready for the future	26
Improving market conditions by addressing unfair trading practices.....	26
Tenancy reform	27
Helping new entrants.....	27
Review of the Agricultural and Horticultural Development Board (AHDB).....	28
A change in regulatory culture.....	28
5. Preparing for change	31
Supporting farm resilience.....	31
Moving from the old system to the new	31
Transition to Environmental Land Management.....	33
6. Moving away from farm subsidies.....	35
Starting the transition in 2021.....	35
Simplifying the Basic Payment Scheme	37
Delinked payments and optional lump sums	37
Optional lump sums.....	40

8. Devolution.....41

9. Timeline for changes.....42

 202042

 2021 to 202343

 2023 to 202744

1. Introduction

When the Health and Harmony consultation was published in February 2018 we outlined our plans to reform agricultural policy fundamentally. The aim was to enable the creation of a more dynamic, self-reliant agriculture industry: in which British farmers, growers, land managers and foresters play a vital role in protecting the countryside, while providing world class food, plants and trees.

Since we published the policy statement in 2018 we have been working hard to further develop an agricultural policy which underpins our ambitious vision for farming outside of the EU, moving away from the deeply flawed Common Agricultural Policy (CAP) and towards a system based on paying public money for public goods. Our reforms will help to deliver the promises set out in the government's 25 Year Environment Plan and our commitment to net-zero emissions by 2050. We are now able to provide an update.

The importance of food production

During the Health and Harmony consultation you told us that food production and food security were important, and we agree. In the policy statement published in 2018 we reassured you that our priority was a productive, competitive farming sector – one that will support farmers to provide more home grown, healthy produce made to high environmental and animal welfare standards. We believe that by delivering public money for public goods through Environmental Land Management (ELM) and productivity grants we can boost sustainable food production. That is why the policies we are developing and the Agriculture Bill currently in Parliament are designed to make sure that food production today does not come at the expense of food production tomorrow.

There is an urgent need to protect the natural assets that are essential to the production of food in this country - for example, soil erosion and compaction from agriculture was estimated to impose an external cost in England and Wales of £305 million in 2010.

For the first time, through these reforms we will have a policy that safeguards the assets that support domestic production by rewarding those farmers who take the health of soil, the quality and management of water, and the abundance of pollinators as seriously as the size of their yields.

In addition, we have policies which are focused on making sure we have a food producing sector which plays a part in meeting the global challenges of a larger, richer population living on a hotter, less resilient planet:

- we will provide grants to help farmers and growers invest in technology and equipment that improves environmental sustainability and reduces carbon emissions, helping them prosper and produce food and plants, and protect the environment at the same time [page 19]

- we will support farmers and growers to become more profitable and productive and receive the best prices for their produce through improving market conditions - taking action to make the supply chain fairer [page 26]
- we will support innovation in agriculture putting farm businesses at the front of future research and development [page 21]

Food production in future policies

We have adapted the Agriculture Bill to acknowledge better the importance of food production in our ongoing reforms. The Agriculture Bill will now place a requirement on the Secretary of State to have regard to the need to encourage the production of food (as well as its production in an environmentally sustainable way) when framing financial assistance schemes. The introduction of our ambitious new agricultural policy will invest in the foundations of food production. As future schemes are introduced, we will make sure that England can continue to produce great food alongside delivering public goods.

Food security

Leaving the EU has rightly raised the profile of our food systems and food security. Overall UK food security is based on both domestic and overseas production and cross border trade. It responds to various issues and challenges from the implications of climate change to international and national risks that could impact food supplies (such as pest and disease outbreaks, floods and drought events, conflict, and contamination). The long term outlook suggests these challenges will only continue, and we will need to be able to monitor and fully understand the implications of these changes.

To that end we have introduced a new chapter to the Agriculture Bill which places a requirement on the Secretary of State to provide a regular report to Parliament on food security in the UK. This report is likely to cover a range of current issues relevant to food security including:

- global food availability
- supply sources for food (including the range of supply sources and the availability to the public of food from domestic and other sources)
- the resilience of the supply chain for food (including in response to disruptions in, or significant price increases for, the supply of energy)
- household expenditure on food (including in comparison to expenditure on other items)
- food safety and consumer confidence in food

By providing this information to Parliament we hope to raise the level of understanding of these challenges and inform future debates on how we might wish to respond. This is part of our ongoing commitment to ensuring a high level of food security in the UK.

The Food Strategy

The challenges we have set out here relate to more than just agricultural policy. Indeed, in the 21st century we face multiple challenges across the food system. The world's populations are growing, and the impact of farming on soil, air quality, biodiversity and climate change raises questions about how we can make food production more sustainable.

Food is central to our culture and national identity, with one in eight of us earning our livelihood through food. The choices we make about what we eat have a direct impact on all our lives and wellbeing. Obesity, diabetes, cardiac disease and other diet-related conditions are harming the lives of millions

We need to look afresh at the system, develop a system-wide understanding of these challenges, and consider how government, society and businesses need to respond.

That is why Defra commissioned Henry Dimbleby, Defra's lead Non-Executive Director, to lead an independent review of the food system that will provide recommendations to address the key challenges we face. The independent review will publish a final report in winter 2020 with recommendations that will shape a National Food Strategy in the form of a White Paper, which will be delivered within 6 months of Henry's review being completed.

The review will cover the entire food chain from farm to fork, building on work already underway in the Agriculture Bill. The objective of this work is to ensure that we deliver healthy and affordable food, creating a system that is built upon a strong and sustainable agriculture sector. We would anticipate that agricultural policy in England would respond to the recommendations of the review.

The independent review will take into account views from across the whole food supply chain as it develops a vision for the future. A call for evidence over the summer 2019 sought ideas from government, businesses, academia and individuals on how to transform the food system. As well as continued engagement with industry and civil society, a number of public engagement events will be held throughout 2020 to discuss the issues and potential solutions, ensuring that citizens' voices are heard as part of the process.

2. Public money for public goods

The CAP was too often a blunt instrument. We will shift away from it to create a series of schemes which are targeted at enhancing our environment, protecting our countryside and conserving our livestock; designed in a way that is accessible for farmers, growers and other land managers in England and that will provide high value for money for the taxpayer. Across the 2020s, these schemes will be at different stages of their lifecycle. Taken as a whole they will represent a significant shift, where government focuses its role on paying those land managers who deliver benefits for the greater good.

In our Health and Harmony consultation we introduced a proposal to spend public money on things that have public value that are not sufficiently provided by the market – including enhancing our environment and protecting our countryside, better animal and plant health and animal welfare, and improved productivity – as part of a move to higher regulatory standards. This concept remains at the heart of our reforms to agricultural policy. We will deliver this concept through our proposed Environmental Land Management scheme (ELM), Animal Health and Welfare Pathway, plant health schemes, and our productivity and research and development (R&D) offer.

Talking to land managers and farmers, we are told how important it is that future policy is coherent and administratively clear and simple. Our policy includes a number of different elements that will allow us and the sector to invest in the environment, productivity, farmer resilience, plant and tree health and animal health and welfare. Our experiences from implementing CAP schemes show that there are pros and cons of having a number of different schemes available. For some, multiple offers gives clarity about what they are applying for and can allow us to create more bespoke application processes and policies best targeted at delivering the desired outcomes. On the other hand, multiple offers can increase total administrative costs and create a confusing set of application windows and forms.

As we work with farmers, land managers and stakeholders to refine these schemes further we will continue to explore how we might ensure that they can understand how we can provide a simple and user friendly offer that delivers effectively the outcomes we are funding.

Our priority in these considerations will be making sure there is value for money for the taxpayer, that we have learnt the lessons from implementing the CAP and that we are improving the experience for the land managers and farmers who are our users.

The rest of this section provides further detail about our proposed financial assistance schemes.

Environmental Land Management Scheme (ELM)

Why are we building ELM?

Our ambition is to channel public money into the delivery of public goods – focusing on improving the health of our environment, on a far greater scale than achieved under the CAP (and at a lower cost).

Farmland accounts for 69% of our land in England and our farmers are vital stewards of that land. Despite many positive examples of farmers and farming contributing to the natural environment, too often modern agricultural practices harm our environment. This is illustrated through a 57% decline, on average, in the farmland bird index between 1970 and 2018.

Improving the health of our environment as set out in the 25 Year Environment Plan is a priority. ELM will be a powerful vehicle for achieving the goals of this plan and will be critical in helping us to deliver against our commitment to achieve net zero emissions by 2050, while also contributing to a thriving rural economy and farming sector.

What will ELM pay for?

Through ELM, farmers, foresters and other land managers will be paid for managing their land in a way that will deliver against key 25 Year Environment Plan goals: clean air; clean and plentiful water; thriving plants and wildlife; protection from and mitigation of environmental hazards; beauty, heritage and engagement with the environment; mitigation of and adaptation to climate change, particularly to support the delivery of our net zero targets. We are still developing the final set of priorities for ELM and we will work with farmers, experts and other land managers across the next year to agree this.

What will ELM look like?

We set out our initial thinking on ELM as part of the Health and Harmony consultation response in September 2018. Since this time we have been undertaking detailed planning, and are considering a range of options for the design of the scheme, and preparing for the launch of the national pilot in 2021. As part of this, we have been engaging widely with farmers, foresters and other land managers so that their knowledge and expertise can shape our proposals and designs for ELM.

As part of the design process we have established and launched an ambitious programme of ‘tests and trials’. These are testing how elements of the new scheme will work ahead of the national pilot. Phase 1 of tests and trials is currently underway. From the 100+ proposals we received for phase 1, we have agreed to fund 44, of which 42 are active. These projects are considering the priority areas on which we need to focus such as payments, advice and guidance, how to increase collaboration between farmers, foresters

and other land managers, and considering some of the more innovative delivery mechanisms. A further 25 tests and trials are being progressed from the remaining phase 1 proposals and the 200+ proposals we received under phase 2.

Through this work and our ongoing discussions with the sector, our scheme design proposals have been adapted and iterated over the last year. Whilst we still have work to do to finalise the scheme design, we have made substantial progress.

The following sets out our current proposals for ELM.

A three-tier design

Rather than designing one broad scheme, our current thinking is that ELM could be split into 3 distinct tiers. This will allow us to tailor each tier to the needs of different groups of farmers, foresters and other land managers, different landscapes and land types, the adoption of different environmental 'actions' or possibly even the delivery of different environmental outcomes.

We suggest that the first of these tiers could be focused on incentivising environmentally sustainable farming and forestry. We know that there are effective actions the majority of farmers can take across their farmed and forested land that will deliver environmental benefits and improve environmental sustainability. Whether that's using cover crops or planting wildflower margins, this tier could pay farmers across the country to adopt (or continue) practices that can generate valuable outcomes, focusing on those practices that are most effective when delivered at scale.

We suggest that the second tier could be designed to support land managers to deliver locally targeted environmental outcomes. Within this tier there will be a focus on local priorities, making sure that the right things are delivered in the right places, guided by some form of spatial targeting and local planning. Many of the outcomes this tier will deliver may rely on collaboration between land managers and as such this would include a variety of mechanisms for encouraging and rewarding collaboration and join-up between farmers, foresters and/or other land managers.

The third tier in our current proposal would be focused on delivering landscape scale land-use change projects, where such projects drive added value over and above what can be delivered through tiers 1 and 2. It will coordinate projects that are critical in helping us to meet ambitious environmental commitments such as our net zero target. Projects could include woodland and forest creation, peatland restoration and the creation of coastal habitats such as wetlands and salt marsh; these carbon rich habitats would also deliver additional environmental outcomes, such as biodiversity and flood mitigation.

Packages of options

Our aim is for farmers, foresters and other land managers to have some comparatively simple options to choose from. They should be able to make decisions about their involvement in ELM easily and feel confident in what they are being paid to deliver. For some of the tiers (and tier 1 in particular) we are considering the benefits of grouping different actions and outcomes into simple 'packages' for applicants to choose between. These packages could be tailored to farm type or land type, for example we could have an upland package, or a package designed to focus on a particular outcome.

Increased local involvement

Experience from current and past schemes shows the importance of making sure the right actions happen in the right places. It is therefore likely that targeting and local planning will be critical – particularly for tiers 2 and 3. To be effective, this would involve local people and farmers in the decision making and planning for their area. As we progress scheme design, we will consider how best to involve those who live and work in an area in setting the priorities for their location. We will test a number of approaches to this through the national pilot.

The role of the adviser

As we talk to farmers, foresters and other land managers, and look back on what has worked from previous schemes, it is clear that access to an adviser is highly important to successful environmental schemes. Advice can help to address gaps in the skills, knowledge and motivations of land managers and help build confidence. Advisers can play a key role in facilitating collaboration. Our evidence shows that for advice to be effective it must be trusted, consistent, credible and cost effective. Whilst written guidance can point to environmental best practice, an adviser can help tailor that information so that it can be applied to meet local needs and circumstances.

We are considering a range of different models for the provision of advice. These include:

- 1:1 advice and support provided direct to land managers
- group advice and training
- telephone and online support
- facilitation of peer to peer learning

In addition to the roles advisers will play in supporting ELM, we anticipate the provision of comprehensive, written information to provide guidance to all who participate in ELM. In line with government wide policy this will be provided online in the first instance, with provision for those who need to work offline. This will include guidance on how to deliver the environmental outcomes ELM will pay for.

We are working with farmers, foresters and other land managers to test these models through both tests and trials, and the national pilot.

Payment methodology

We know that getting payment right will be critical to the success of ELM. Farmers, foresters and other land managers should be paid fair levels for their role in delivering environmental benefits. We know that previous payment rate calculations may need to be reviewed to make sure we get the uptake we need for ELM to deliver our environmental ambitions. Therefore, we are considering a range of possible payment methodologies for ELM, exploring how best to balance providing a fair payment to land managers against maximising value for money for taxpayers. These include administrative price setting - where payment rates are set by government - and market-based price setting - where payment rates are determined within a competitive market using mechanisms such as competitive tendering or auctions. We are also exploring new innovative approaches such as payment-by-results and how we could blend public with private finance within ELM. These methods will be tested carefully before introduction across England.

When will ELM start?

ELM will start in late 2024. Before ELM is delivered across England, it is important we test our scheme design through a national pilot. We have learnt from previous schemes the importance of fully testing the policy but also the delivery systems before fully opening to applicants.

The ELM national pilot will begin in late 2021, starting with a small number of agreements and increasing in scale in phases. This will provide us with an opportunity to see how the tiers work in practice and to build confidence that the challenges of running a scheme with an increasing number of agreements and transactions can be managed effectively. It will also test the mechanics of the scheme and make sure we understand how the experience of farmers and land managers changes.

Progressively, over the course of 3 years, we will test how ELM works comprehensively, including the underpinning processes. We will test these across a broad range of circumstances, replicating as many situations and conditions as possible, with a wide range of potential future participants. The pilot will take on learning from tests and trials and the two elements in combination provides an extended opportunity to make sure that the policy is deliverable, and the administration of the tiers is reliable so that the scheme we implement in 2024 is thoroughly tested.

How can you get involved?

Alongside this policy and progress update, we are sharing the [ELM policy discussion document](#), which sets out our initial thinking for ELM scheme design. We are using this

document to step up engagement with all of our stakeholders. We want to co-design the ELM scheme with those people who know best. There are key questions in the document that we would like views on. We would also welcome evidence to support any of the options presented. The outcomes of this engagement will be used to inform the focus for our national pilot, which is due to start in late 2021.

Alongside the opportunity to comment on the policy discussion document online, in 2020 we will also be:

- holding a series of regional events over the next 3 months with land managers and other stakeholders to discuss the proposals outlined in the policy discussion document
- working closely with stakeholder organisations across the country to reach their members on the ground, including but not limited to the National Federation of Young Farmers Clubs, National Farmers Union, Country Land and Business Association and the National Trust
- continuing to roll out our programme of tests and trials, working with hundreds of farmers and other land managers on the ground to explore how key components of ELM could work
- seeking expressions of interest for the national pilot, which will further test key components of the tiers in real world situations, and confirm reliability of end to end processes

We will continue to work with stakeholders throughout the course of developing ELM policy. We will do this through our tests and trials programme, the national pilot, and our ongoing engagement with stakeholders across the agri-environment sector.

Plant and tree health

Trees provide huge value to the economy and society. The health of our trees, woods and forests cannot be taken for granted and there is a large list of threats already in the British countryside or on the way. As with animal health, there is much we are and can be doing at our borders and within the supply chain. As part of this package we also need to intervene on the ground and we are currently reviewing the existing package of tree health grants. We have seen that by supporting land managers to understand pest and disease threats better and to collaborate to build the resilience of trees, woods and forests we are better able to mitigate and minimise the impact of pests and diseases.

As part of the process of reviewing the operation of the existing tree health grants we will be looking again at our guidance, eligibility criteria and payment criteria to ensure that treatment/felling and restocking takes place at the most sites possible, and in ways which meet our environmental objectives. We intend to expand and improve the grants provided to treat and/or fell diseased trees to ensure that they deliver real impact in slowing the

spread of pests and diseases. We also intend to expand the supporting grants provided to restock resilient woodland following a pest and disease outbreak to ensure that there is no loss of tree cover following felling or clearance in response to a pest or disease.

Diverse planting stock that results in trees, woods and forests that are healthy and resilient to disease is crucial.

Local knowledge can be of great value in this context. It is also the case that a coordinated approach to reducing risks and responding to outbreaks is key. To this end, we intend to provide financial support to local action groups to enable knowledge and information sharing between land managers and other stakeholders. Alongside this, we will provide improved information such as best practice biosecurity training materials, rapid alerts, and information on current pest and disease threats

Tree health schemes will be delivered alongside ELM. Our enhanced treatment/felling and restocking tree health grants are expected to be up and running in 2024. We plan to test and trial options for grants schemes in 2020 to 2021 with a pilot to launch alongside the ELM pilot. The other elements, such as information, collaboration and resilient stock are expected to be in place from 2022. We will be developing the eligibility criteria over the coming months to make sure they are targeted to deliver real improvements in the health of our treescape.

Animal health and welfare pathway

The Health and Harmony consultation highlighted the importance of maintaining high standards of animal health and welfare and Dame Glenys Stacey's 'Farm Inspection and Regulation Review' (FIRR) recommends moving toward a culture of whole farm improvement, rather than relying on the current system of complex rules with inconsistent compliance.

In our response to Health and Harmony consultation, we reassured you that we are committed to maintaining our position as world leaders in animal welfare. In line with our national values we wish to continue improving and building upon that record. That means working in partnership with farmers and with other key stakeholders to support healthier, higher welfare animals.

We want to establish an Animal Health and Welfare Pathway, striking a new deal between government and farmers; industry-led, in partnership with government and with key stakeholders, which maps out how farmers and government will work together to improve continually the health and welfare of farmed animals now and in the future, supported by the best science and evidence. The pathway will promote the production of healthier, higher welfare animals at a level beyond compliance with regulations; underpin our high international reputation for health and welfare; show-case a modern and efficient means of farming animals to high production standards; and support our ability to trade in new

markets abroad. Our goal is to deliver sustained improvement over time that addresses the challenges of the future as well as those of today.

We hope to move livestock farming from the basis of the five animal welfare freedoms and having a life worth living toward having a good life which also takes into account that animals are sentient and all that this entails. These enhancements could relate to improving animal welfare in relation to confinement (e.g. the use of cages and crates), to the provision of enrichments, to mutilations (e.g. beak trimming and tail docking), and to animals' ability to exhibit natural behaviours including in the right settings. We are exploring the use of key welfare indicators and other metrics to assess the final enhancements selected. When defining animal welfare enhancements we will also be taking into account our other objectives such as improving the environment.

Taking broiler chickens as a specific example, delivering enhancements may include farms using slower growing, higher welfare breeds of chicken that have the freedom to exhibit natural behaviours either through increased space and a stimulating environment or the freedom to roam, peck and scratch outside. For dairy cattle, the enhanced freedom to exhibit natural behaviours could involve increased access to stimulating loafing or outdoor space or the freedom to access and graze good quality pasture. Welfare enhancements for pigs could relate to the improved provision of enrichment and opportunities to root and forage as well as addressing the use of crates and the issue of tail docking.

Given that strong health is a key component of high welfare, many of these enhancements will also provide or incorporate animal health improvements, such as reduced lameness in cattle and sheep, and lower levels of anti-microbial resistance.

We are working with stakeholders, experts and farmers to develop this vision. We will be commissioning external research to support building consensus on what the specific enhancements should be for each species and the best way to deliver these.

There are three inter-related strands to our reform package, which are all mutually reinforcing. We will:

1. Ensure baseline regulatory requirements maintain our current high standards and continue to raise them for all farmers, subject to consultation. These future improvements should be sustainable for the sector and should be informed by the latest scientific understanding and best practices. Increases in baseline regulatory requirements will also need to take into account how this affects the competitiveness of our sector in relation to the standards which apply to imports. Consultation on regulatory changes should include consideration of the costs of transition and ways to mitigate these, including adjustment periods, and the extent to which the sector is already providing these enhancements. Proposed changes to baseline regulatory requirements should also take into account how these tie in with the other inter-related strands of our package

2. Tap into consumer willingness to pay for welfare enhancements by developing reforms which provide improved consumer transparency and which support improved consumer understanding. These reforms should address the multiple factors that lead to the value-action gap (i.e. consumers reporting they value high animal welfare but not matching this with purchasing decisions). These reforms should have an impact in relation to consumer choice, but would not capture the public's value for high welfare which is held by those who do not consume the products in question
3. Use public funds to deliver public goods and to pay for animal welfare enhancements that are valued by the public and not delivered sufficiently by the market, rather than simply paying farmers for holding land. We are developing publicly-funded schemes and are currently considering different forms of scheme design, such as a payment-by-results scheme that makes ongoing payments for demonstrable welfare increases, and a capital grants scheme for investments that are known to raise welfare. These schemes should also take into account how they tie in with the other inter-related strands of our package. Funding schemes could also support developing new techniques, business and management practices, and new technologies and innovations which enhance welfare, farm efficiency and competitiveness. Farms that provide welfare enhancements may at the same time address many of our sustainability and environmental objectives

Regulatory baseline improvements

Regulation sets the standard of welfare for farmed animals across all farms. It is right that those responsible for farming animals are also responsible for ensuring they have high standards of welfare. The government will continue its focus on maintaining world-leading standards through regulatory requirements and statutory codes of practice, and to do so in a way which is sustainable for the sector and is informed by the latest scientific developments and best practices. Increases in baseline regulatory requirements will also need to take into account how this affects the competitiveness of our sector in relation to the standards that apply to imports.

Animal welfare consumer transparency

Consumers need to be able to make informed purchasing decisions to reflect their animal welfare preferences. Tapping into the consumer willingness to pay begins with understanding the value-action gap. Aside from the scope for more transparency, high animal welfare is a public good: it is possible for someone to derive positive value from the fact that animals are being well cared for as a result of another's purchasing decision. Those not buying animal products should be included in any assessment of public value, one person's holding of this value does not detract from another's.

Our reforms in this area could include clarifying marketing terms and labelling to resolve the existing opaque and inconsistent use of information relayed to consumers. Addressing consumer understanding, and understanding how purchasing decisions are made in practice in the retail environment and online, are also key elements of these reforms. It is important to note that improved transparency alone can only address information asymmetry, and does not capture the public value held by non-consumers.

We are currently working with stakeholders to develop consumer transparency reforms, and this is closely linked to our other engagement with stakeholders to identify which welfare enhancements should be supported by public funds. This includes considering the extent to which it should be made clear to consumers which products are associated with the welfare enhancements that public funds are supporting.

Animal welfare publicly funded scheme design

We are considering how best to deliver these schemes in practice, including the objectives for such schemes, how they sit alongside our regulation and consumer transparency work, the user experience for farmers, delivering value for money and running schemes that operate efficiently and effectively. This will include considering how animal welfare reforms will relate to other schemes under development such as ELM, and the potential merits of running fewer, simpler schemes.

We are also considering the role of assurance schemes in the animal welfare reforms, for example in helping to provide verification that enhancements have been delivered without unintended consequences.

To date this has involved much engagement with the different sectors, with the Animal Welfare Committee (Defra's animal welfare expert evidence body), with retailers and with NGOs about which particular welfare enhancements should be supported, why and in what way; about how these enhancements should be specified; and about how their delivery should be measured, verified and assured. Further engagement supported by future research activity should lead to the development of specific proposals, including in relation to the extent of public funding and the degree of co-funding.

This engagement has covered scheme design and delivery considerations, including the use of capital grants and a payment-by-results scheme. This will also take into account future changes to baseline regulatory requirements and future improvements to consumer transparency, as part of a coherent and inter-linked package. This support should cover all major farm animal species, including cattle, pigs, poultry and sheep.

For a payment by results schemes we would envisage commissioning research to support the identification of enhancements, then moving to tests and trials, followed by a pilot. The path to a capital grants scheme could be shorter.

These publicly-funded schemes are being developed as part of our move to higher regulatory standards and in tandem with the development of these schemes we shall be consulting on reforms proposing improvements to baseline regulatory improvements and to consumer transparency.

Animal health

Excellent standards of animal health are proven to deliver better welfare, improve productivity on farm and help protect the nation from the environmental and economic impact of disease. We can do more and we will take the opportunity of leaving to EU to develop schemes that help livestock keepers make practical changes to improve animal health.

At the moment endemic livestock diseases are a significant drag on productivity and are estimated to cost the English livestock industry between £290 million and £710 million per year. These diseases increase farm antibiotic use and addressing them will support the UK 5-year action plan for tackling anti-microbial resistance. They also lower animal welfare and can result in increased greenhouse gas emissions from livestock farming as ill animals need more feed and produce less. Some diseases have a further direct impact on greenhouse gas emissions.

New and existing trade markets depend on our ability to demonstrate that our exports are free of disease, and these standards rightly continue to rise. By demonstrating our high standards of animal health and the means by which we continue to tackle disease we will be more able to open new markets.

The Animal Health and Welfare Pathway will include schemes initially focusing on improving animal health across cattle, pigs, sheep and poultry. The schemes will cover pragmatic steps to better control or eradicate endemic diseases, actions to increase peer learning between farmers through farmer groups and improve interaction between vets and farmers. We want to engage widely: dairy and beef, sheep, pig and poultry farmers in England will be eligible to participate.

Animal health takes time to improve, particularly in relation to controlling or eradicating endemic diseases. The Animal Health and Welfare Pathway is intended to run as a long term programme, with industry progressively taking more responsibility as we move together through the agricultural transition and into the new farming policy. We expect benefits to increase over time, with public benefits accruing as livestock keepers continue to take action to help slow the spread of anti-microbial resistance and reduce the intensity of greenhouse gas emissions from livestock. Livestock keepers would expect to see improved productivity as reduced levels of endemic disease release the brake on productivity and deliver enhancements to animal welfare.

Animal health scheme design

We intend to launch the first schemes to improve the health of farmed animals from 2022 to 2023, tackling endemic diseases in particular. We are co-designing schemes with farmers, vets and their representatives; prioritising cattle (dairy and beef), sheep, pigs and poultry with an intention to widen participation to other species in the future.

Supporting a prosperous and productive sector

A more prosperous, competitive, self-reliant industry means farming more efficiently and achieving higher productivity. More efficient production has the benefits of lower costs and higher yields for farmers, and in many cases a reduced impact on the environment.

We will support farmers, foresters and growers to focus on their business, improve efficiency, reduce their environmental footprint and get a fair return for what they produce. We will also provide opportunities for farmers to lead research and development of new methods and technologies, providing a foundation for long-term growth.

This transformative package will support a thriving, competitive industry to take advantage of new opportunities as we leave the CAP. It will improve productivity, support a strong food production sector, reduce farming's environmental footprint and can also help with achievement of net zero. Sustainable productivity growth allows more to be grown with less land and other inputs, freeing up land for other uses.

Supporting investments

We will provide grants to farmers, foresters and growers so that they can invest in equipment, technology, and infrastructure that will help their businesses to prosper while improving their productivity and enhancing the environment. The grants will help producers to focus on more efficient production methods that will reduce costs, improve yields and give them a better return. We will also support farmers who want to process and add value to their products, create new products, or sell their produce directly to customers.

The scheme will open in 2021, and will offer grants for a proportion of the total cost of the investment. Similar to the current Countryside Productivity scheme, there will be opportunities to apply for grants for both smaller and larger investments.

Smaller investments

Grants will be available for equipment, technology, and small infrastructure investments that will make an immediate difference to farm performance, including investments that help farmers use less inputs, reduce emissions, and cut waste, which will also benefit the environment.

There will be a list of specified, pre-determined items for which grants will be available. We will work with industry organisations to determine which items should be on the list. The initial list will be published when the scheme is opened for applications, but we will update and amend the list of items during the scheme to reflect changing needs and priorities. We want the application process to be quick and simple, so that farmers can start using the equipment as soon as possible.

Larger investments

These grants will be for higher-value or more complex investments, with the potential to bring transformational improvements to business performance. Eligible investments could allow for more efficient use of labour, provide opportunities to switch to alternative or more efficient production methods, reduce environmental impact or create opportunities for new business models and alternative ways of selling produce directly to customers.

There will not be a pre-determined list of items. Instead, applicants will be invited to submit applications for grants towards investments which would contribute to achieving priority outcomes that we set. These priority outcomes will be factors associated with improving productivity, prosperity and the environment, and could include farming more efficiently and reducing waste, increasing the use of automation and robotics, or adding value to primary products.

Farmers will have flexibility to apply for grants for investments that are most appropriate for their circumstances and have the greatest potential to improve business performance.

What grants will be available?

We will work with the industry to develop the first list of grants for small investments, to be published when the scheme is launched. We will also finalise the priority outcomes for the larger investment strand. Below is an initial indication of the types of grants that could be available under either the smaller or larger investments, or both.

Equipment or technology that would allow for targeted and more efficient use of resources. Farming more efficiently means lower costs, improved yields, reduced emissions and other environmental benefits from using less land and other inputs to achieve the same level of production. Investments could include:

- precision slurry application equipment
- variable rate nutrient or pesticide applicators
- efficient irrigation systems
- energy-efficient lighting

Automated or robotic equipment that would allow for more labour-efficient production methods. Investments could include:

- robotic milking systems

- automated or robotic planting, weeding, or harvesting equipment

Equipment or infrastructure that would enable a producer to add value to existing products, create new products, or make products available directly to purchasers. This will open-up new business opportunities for farmers, as well as the chance to reduce food miles and make more food available closer to where it is produced. Investments could include:

- automated produce sorting and packing equipment
- food processing equipment

Advice on investment decisions

Farming is a complex industry, and we know that it can be difficult to decide how best to target investments to achieve the greatest business benefit. We will offer objective advice to applicants to help them to decide how to target investments to achieve the greatest improvements in business performance. We will work with the industry to consider the best way to deliver this advice.

Application rounds

We will organise the scheme into a series of application rounds, with shorter rounds for smaller investments and longer rounds for larger investments. This will give potential applicants a forward-look of opportunities for grants, allowing farmers to plan future investments.

Innovation and research and development (R&D)

From crop science to sensors and artificial intelligence, the UK is home to research institutes and industries who are world leaders in innovation. We have heard from farmers and industry that we need more effective collaboration between those who are experts in their academic fields, and farmers whose expertise is fields. To bridge this gap and to unlock the potential of innovation in agriculture we want to support R&D which puts farm businesses right at the centre of developing the solutions. We will focus on supporting research to improve the productivity, sustainability and resilience of farming. Research will support the transition to low-carbon farming methods and contribute to delivery of net-zero.

Building on the 2013 Agri-Tech Strategy and the £90 million Industrial Strategy Challenge Fund Transforming Food Production initiative, we are developing a new innovation R&D package to generate ground-breaking research and increase the uptake of transformative technologies and new approaches. This package will engage farmers, foresters, growers and other agri-food businesses, and deliver new farmer-led solutions underpinned by cutting edge science. We plan to deliver initial schemes from 2022.

Our proposed package includes:

Industry-led R&D syndicates: we will fund syndicates in which farming or agri-food industry organisations will take the driving seat; these organisations will work in

partnership with scientists to develop technology or innovative approaches to tackle identified productivity challenges that affect business.

For example, a syndicate would work together to identify a particular productivity challenge (such as an effective way of detecting pests and diseases in arable crops), and would work with researchers to find a solution (such as developing remote sensors utilising artificial intelligence for early identification of pests and diseases), which would help farmers to increase productivity and reduce costs.

Projects to accelerate innovation and encourage adoption of new approaches and technology: we will fund shorter, agile projects which could trial the feasibility of new technology, or practical farm-focused projects to demonstrate new methods. By taking on some of the financial risk we will give farmers, foresters, growers, and other agri-food businesses greater confidence and freedom to try some highly innovative ideas.

For example, we could provide funding to support farmers to work with animal feed producers to trial new feed additives. The project would assess the ability of the additives to improve production efficiency and reduce methane emissions from beef and dairy herds: or funding for a project to demonstrate the integration of autonomous farm traffic in a farm setting.

We will scale funding over time to build the project base and collaborations for solution focussed schemes and to ensure that they will work for farmers. We will bring together farming organisations, existing innovation networks, with agri-food businesses and researchers to shape the scheme and identify common challenges that R&D syndicates could address, and ideas for smaller projects to boost the adoption of innovation.

Themed collaborative R&D: we will fund collaborative projects, which will need to involve farming or agri-food businesses working with researchers, to carry out R&D focused on strategic, high-priority societal challenges with the potential to transform agricultural productivity over longer time horizons. We have identified a set of themes and will develop these to ensure that they are targeted on innovative solutions to these challenges. Themes include: adaption to climate change and clean growth (e.g. best practice approaches or next generation fertilisers), integrated farm management (e.g. sustainable agronomy and integrated pest management), sustainable protein and balanced nutrition (e.g. plant based protein and sustainable livestock production), genetics and genomics for enhanced productivity (e.g. advanced breeding technology), renewable materials for the bioeconomy (e.g. biomass crops or agroforestry), and advanced sensor technologies and data driven approaches,

For example, we could fund transformative collaborative projects seeking to develop insect based production systems or new farm systems with reduced environmental impacts which use integrated and advanced automation.

Research and development case study

Investment in research and development is leading to innovative solutions to address real productivity challenges. For example, the Industrial Strategy Challenge Funds “Transforming Food Production” initiative funded aiScope to tackle blackgrass:

Blackgrass is a cereal weed with a significant impact on UK arable farming and no single reliable treatment currently available. aiScope aims to use artificial intelligence to develop blackgrass forecasting models that could save farmers in the region of £400 million per year. Farmers across the country will be able to input data on blackgrass and identify successful management strategies.

Project partners include IBM, Precision Decisions Limited, Rothamsted Research, Hummingbird Technologies, University of Sheffield and STFC Laboratories.

Following on from the Health and Harmony consultation we have been working with stakeholders from across the sector to ensure that these industry-led schemes will meet their needs and build on other R&D and innovation initiatives. This includes seeking views on how best to encourage industry investment, increase collaboration, and identify themes for collaborative R&D. This engagement will continue as we develop our proposals and plans for delivery.

Skills and capability

Across our different schemes for ELM, productivity and animal and plant health we will encourage a stronger culture of knowledge exchange, skills and continuing professional development that enables our farmers and land managers to learn from, and outpace, the world’s best.

Agricultural technologies are transforming farming, creating new types of jobs and requirements for new kinds of skills. Access to a sufficient and appropriately-skilled workforce is essential to continued industry growth, productivity and safety.

Responses to the Health and Harmony consultation showed that the many respondents thought that farmers and land managers would benefit from improved business and financial skills, more peer-to-peer learning and better take-up of benchmarking.

The government will continue to work closely with the Food and Drink Sector Council’s Agricultural Productivity Working Group (APWG) and the related Skills Leadership Group, who are developing proposals in this area:

Knowledge Exchange: the government is interested in exploring industry proposals for a new single hub for evidence-based best practice for farming and growing. This initiative is

aimed at transforming knowledge exchange by making sure that farmers and growers, and their advisers, have ready access to the most up to date and relevant information for their particular business. Such an initiative could also provide policy-makers with greater access to the information they need.

Focus on skills: we have been working with the Skills Leadership Group as they develop their proposal to introduce a new professional body for agriculture and horticulture. This initiative is aimed at removing the fragmentation that exists within the current learning and skills landscape for farming businesses, enabling the industry to drive forward greater uptake of skills, creating clear career development pathways and promoting the sector as a progressive, professional and attractive career choice. We are interested in exploring the possibilities of this proposal.

Driving the use of data and benchmarking: advancing technologies and the increasing interest in data-driven decision making tools for farming businesses will inevitably lead to new opportunities for the gathering and sharing of data. The use of farm business data for benchmarking (comparing the performance of similar businesses) is accepted across all industries as essential to driving performance and efficiency. However, the practice is not widely used in farming, only 21% of farmers carry out any enterprise level benchmarking (Farm Business Survey 2016 to 2017).

The APWG recognises the importance and the challenge of encouraging the take up of benchmarking in the industry. There is an ambition for industry and government to work together to drive the uptake of benchmarking. We will be exploring the proposals made by the APWG for establishing standard, entry-level Key Performance Indicators (KPIs), promoting the benefits of data capture, sharing and use, developing a UK code of conduct for data sharing, looking at the potential interoperability of data-gathering technology and the introduction of a trusted method of collecting and sharing data across the agricultural sectors.

3. Preserving our rural resilience

In response to Health and Harmony, you told us that rural areas should have a “level playing field” with urban areas. This government is committed to levelling up all parts of the United Kingdom, not just investing in our great towns and cities, but also our rural and coastal areas. Farming is a crucial part of the rural economy, particularly in more remote areas, and we need to ensure our work here is joined up.

We continue to work closely with organisations representing rural businesses and communities across government to address issues raised in responses to the Health and Harmony consultation:

- This government is committed to levelling up opportunity across the UK. Following the UK’s departure from the European Union and EU structural funds, the government will create **the UK Shared Prosperity Fund** to tackle inequality and deprivation in each of our four nations. Further details will be announced following the cross-government Spending Review. We continue to work with the Ministry of Housing, Community and Local Government to develop future economic and community based approaches to meet the needs of rural areas. This includes considering current European investments in rural economies and lessons learned from the current Rural Development Programme;
- **Rural Development Programme for England 2014 to 2020:** This £3.5 billion programme will continue to include support for rural businesses to expand and create new jobs and for farmers and growers to buy innovative new equipment.
- **Simplifying administration:** The UK Shared Prosperity Fund will ensure that bureaucratic, ineffective EU Structural Funds, designed to deliver EU priorities not UK ones, are replaced with an approach that is better tailored to our economy, and will be better able to address the individual barriers people face – regardless of where they live in the UK.

4. Farming ready for the future

Creating a farming and agricultural sector ready for the challenges ahead requires more than reforms to financial assistance. If Government and farmers are to meet these challenges we must work together to improve how agricultural and land markets work, the regulations that must be complied with and how we enforce them. Implementing these wider changes are a key part of ensuring that the opportunities from EU exit are seized.

Improving market conditions by addressing unfair trading practices

Much of the debate about future agricultural policy has focused on our proposals to move away from the CAP. Although important, this is just one piece of the jigsaw. The majority of farmers' revenue comes from agricultural markets. As we shift away from providing direct financial transfers to farmers we need to ensure that these markets are working more efficiently, transparently and fairly. Typical farm businesses are generally small or medium size enterprises often selling commodity products into highly consolidated retail and processing sectors. We are aware of various instances where this disparity of market power leads to the imposition of unfair commercial terms which often see farmers losing out. Effective markets need fair competition and we are committed to tackling the unfairness that can exist in the agri-food supply chain.

Through the provisions of the Agriculture Bill we are planning to:

- **introduce and enforce statutory codes of practice for contracts between qualifying sellers and business purchasers.** Our stakeholder engagement, including the BEIS-led 2016 call for evidence to extend the remit of the Groceries Code Adjudicator (GCA), has highlighted evidence of continuing poor contractual practice, particularly within the dairy and red meat sectors. The first stage of a new approach to contract regulation will therefore focus on the dairy and red meat sectors and we intend to launch public consultations to explore issues in both these sectors in spring 2020
- **assist measures to increase data transparency throughout the agri-food supply chain;** the Agriculture Bill contains powers to collect and share data from those within, or closely connected to, the agri-food supply chain. For example, new data sources could be used to strengthen the market reporting services provided by AHDB; providing more granular data which would provide better market signals for farmers. Information provided by red meat processors could be used to publish aggregated data about the profile of consumer demand; allowing producers to make better-informed long-term business decisions, about breeding or nutrition strategy. We will be consulting with industry on how to best to use these powers in targeted and suitable ways. Before any information requests are published, industry will be invited to provide feedback on the proposed request during a statutory four-week notice period.

From 2021 we are planning to introduce a new domestic system for recognising new producer organisations, which will be better tailored to the requirements of UK producers, while retaining existing competition law exemptions.

We will continue to work closely with industry to develop and define the key priorities, establish a timetable of actions for each policy area and ensure that the actions we take are proportionate and appropriately targeted.

Tenancy reform

We want to make sure that the legal framework for agricultural tenancies does not stand in the way of opportunities for productivity growth within the tenanted sector.

We are working with the industry to produce guidance which will support tenants and landlords to make mutually-beneficial decisions about the business. We have also included provisions in the Agriculture Bill which will amend the Agricultural Holdings Act (AHA) 1986 to ensure that tenants are not unreasonably prevented from participating in targeted financial assistance schemes. Further Bill provisions will amend the Agricultural Holdings Act 1986 and the Agricultural Tenancies Act 1995 to give tenant farmers more flexibility and choice for their business.

Helping new entrants

For a successful long-term future the industry relies on attracting new talent, and providing opportunities for new entrants to farm.

We will offer funding to councils with County Farm estates, landowners and other organisations who want to invest in creating new opportunities for new-entrant farmers. We will invite applicants to set out how they would use the funding to meet our ambition for new entrants. Funding could be used to undertake estate planning and reorganisation activities, or as part of other investments that might be needed to make more holdings available to new entrants.

We want to see the development of integrated packages for new farmers, providing them not only with an appropriate farm holding, but with accompanying business and mentoring guidance, and support for eventually progressing onto a larger holding, through partnerships with other landowners.

Review of the Agricultural and Horticultural Development Board (AHDB)

The Agriculture and Horticulture Development Board (AHDB) was created in 2008 following an extensive review of its predecessor levy bodies. AHDB serves six agricultural and horticultural sectors, with varying coverage across England, Great Britain, or the UK. Its sectors cover over 70% of the total UK agricultural and horticultural output. AHDB is predominantly funded through statutory levies, totalling about £60 million per year. AHDB is the largest UK public funder of applied agricultural R&D, investing almost £20 million a year.

In autumn 2018 we published a request for views on the future of AHDB. The summary of responses will be published early in 2020. The agriculture and horticulture industry will undergo significant change over the coming years, in particular improving its productivity, making its contribution to net zero targets and being competitive on the global stage. AHDB already carries out a wide range of services to support the farmers and growers and is well placed to support the industry through this, building on its current successes.

A change in regulatory culture

Leaving the EU provides an opportunity to reform our regulatory system for farming and land management to better meet the country's needs, unconstrained by the CAP. This is a once in a generation opportunity to better meet our domestic objectives of protecting and enhancing the environment, animal welfare, and plant and animal health, as well as supporting a sustainable, productive and resilient agriculture sector.

We want to take the opportunity to work in collaboration with stakeholders to develop a new regulatory system that improves outcomes for farmers, land owners and citizens. We want a regulatory system that effectively addresses breaches but is also flexible, proportionate and is developed through partnership with those being regulated.

We recognise the issues with the current agricultural regulatory landscape raised by Dame Glenys Stacey's 2018 'Farming Inspection and Regulation Review' (FIRR), and value her recommendations. Our work on regulation is designed to respond to these challenges, through action across Defra group and in consultation with the sector.

Our vision for future regulation – a partnership approach

Our future regulatory system will be designed with a focus on outcomes with the core principles of **partnership, adaptability, proportionality, transparency and efficiency**. We want to deliver an effective transition to a new approach based on established good practice and holistic regulatory approaches.

We are committed to:

- increasing our focus on delivering outcomes that matter via a proportionate and transparent regulatory system
- supporting better relationships with farmers and land managers
- continuing to improve the nature and tone of inspections
- understanding and implementing better ways to provide advice and guidance to the sector
- making greater use of risk modelling and earned recognition, including engaging with market assurance schemes and using remote technology
- improving how we work together and share data across Defra group

The Agriculture Bill provides powers that enable a safe transition away from the CAP and cross compliance. Establishing a future regulatory model will take time, and we want to work with the sector to get it right whilst ensuring we always have a robust system of inspection and enforcement in place to maintain regulatory standards.

We want to increase our engagement with the agricultural sector and take forward ideas for the future in partnership. Responses to Health and Harmony showed us not just the frustrations but the wealth of ideas in the sector, and a willingness to work with us to create a better future. We will continue this engagement through a **consultation** later this year, responding to the FIRR by setting out our vision and priorities for a future regulatory system. We also want to understand from the sector more about the barriers to compliance and how we can support farmers and land managers in the Agricultural Transition to overcome these and deliver better outcomes.

Drawing on feedback from this consultation, we will work together across Defra group to **develop a shared strategy for farming and land management regulation.** As Dame Glenys Stacey highlighted, there is currently no single, overarching regulatory strategy across the Defra group. Our shared strategy will set out a clear vision for agricultural regulation and will allow us to co-ordinate action and improvements across agencies, aligned to Defra's priorities, for instance those in the 25 Year Environment Plan (25 YEP).

The FIRR highlighted the need to improve the current regulatory landscape and proposed creation of a single, independent regulator for farming, with **the aim to make regulation more joined up, transparent and consistent.** We are working through the range of options to achieve these aims, including how any new potential regulator might interact with the new Environmental Land Management scheme. This work must be done in the context of any wider assessment about the future structure of Defra group. Whatever regulatory structures are chosen, should this lead to the creation of a new central government ALB, then the usual, separate government approval process would apply for such an entity. **Overall, our goal is to ensure the delivery of a streamlined, supportive, and effective regulatory service for farmers and land managers.**

Taking action in 2021 - changes to cross compliance

Whilst we work to design our future regulatory system, there are immediate improvements we can make to the current regulatory approach to improve the regulatory experience for farmers and land managers.

In 2021, we intend to address significant areas of concern with cross compliance - the set of rules that CAP payment recipients are required to meet, and the current main approach to regulating most farmers. Whilst we cannot completely change cross compliance immediately, we want to start improving the inspection and enforcement processes and producing better guidelines for the current regulations that exist.

Improvements may include:

- a greater range of appropriate penalties available to Rural Payments Agency
- changing the Verifiable Standards to change the threshold for breaches
- increasing the use of warning letters instead of defaulting to penalties
- improve the effectiveness of risk-based targeting
- addressing specific concerns for disproportionate animal ID breaches

To prepare farmers and land managers for life outside the CAP, we will run a comprehensive **Information Campaign** in 2021 to ensure they understand their obligations under domestic legislation, how to comply with these and where to access support.

5. Preparing for change

Supporting farm resilience

Ahead of the start of the agricultural transition, we will be investing over £1 million in 2020 by providing support to organisations that can explore the best ways to improve business resilience and wellbeing for farmers and other land managers. The impact and value for money of each of the approaches will be evaluated to assess whether a scale-up of the interventions would be effective and provide good value for taxpayers' money.

On 16 September 2019 we invited bids for the Future Farming Resilience Funding project to provide support for farmers and other land managers to prepare for the agricultural transition period. It will provide grant funding to organisations offering support on a range of initiatives and will also generate evidence to help Defra decide how government could potentially scale up resilience support for farmers and other land managers through the early stages of the agricultural transition period. The successful projects will cover a range of business and wellbeing support across sectors and regions to improve the resilience and mental health of farmers, and will be announced shortly.

Moving from the old system to the new

We have set out an ambitious package of reforms, but for our policies to be effective we need to ensure that we move away from the legacy of the CAP in a smooth and safe way. In our 2018 policy statement we made clear that we would simplify the current Countryside Stewardship schemes, while gradually phasing them out during the transition. This section will provide more detail on the existing Countryside Stewardship scheme, how farmers can move from the current scheme to the new ELM scheme and the national pilot.

Countryside Stewardship

We want to make sure that the environmental benefits currently being delivered through CAP agri-environment schemes aren't placed at risk as we move to our new Environmental Land Management (ELM) scheme in late 2024.

We recognise that delivery of the current scheme has not been good enough and customers have had to wait a long time to get paid. But we have seen a significant increase in performance recently and are putting in place further improvements to delivery.

Existing Countryside Stewardship agreements, including those that started on 1 January 2020 and woodland capital agreements that start throughout 2020, are funded under the Rural Development Programme for England (RDPE) on the basis of EU (CAP) regulations, which have been rolled over into UK law. Funding of these agreements is guaranteed for their full duration. We will continue to look at ways to further improve administration of

these agreements over the agricultural transition period. We will use the Agriculture Bill to identify where we can modify the rolled over legislation to make management of the scheme more efficient or effective.

We opened a new round of Countryside Stewardship in February 2020 for agreements to start on 1 January 2021 under domestic legislation. This will be a simplified Countryside Stewardship offer which will provide an agri-environment scheme opportunity ahead of ELM rollout as part of the agricultural transition. This and future rounds of Countryside Stewardship will be domestically funded. For these agreements, departure from the EU allows us to move away from the current control regime focused on penalties and towards a more supportive one that helps customers deliver the environmental objectives of their agreements, while continuing to protect the public purse.

Additionally, we have further expanded the scope of the Wildlife Offers and will also allow businesses with Scheduled Monuments on their land to be eligible to apply for them increasing eligibility and potentially take up. We will also continue to offer Higher Tier and Mid-Tier agreements and the popular Hedgerow and Boundaries and Water capital grants, and forestry agreements to help increase woodland planting and management, and deal with tree diseases.

The last year new applications can be made for simplified Countryside Stewardship will be 2023, for agreements starting on 1 January 2024 (these dates may change if we decide to offer more flexible start dates over this period).

Across the early part of the transition, we will look to improve the Countryside Stewardship offer to customers whilst ensuring it delivers for the environment. We continue to work with our stakeholders to achieve this.

Existing agreement holders have already begun providing public goods and we want to retain these investments until ELM is open to all.

Farmers and other land managers who sign up to new Countryside Stewardship agreements during the transition period will be well-placed in the future to participate in the new ELM scheme, subject to successfully applying. Until then, signing a Countryside Stewardship agreement gives a viable, long-term source of income for providing environmental benefits.

No-one in a Countryside Stewardship agreement will be unfairly disadvantaged when we move to new arrangements under ELM. We will make sure there is a smooth transition with minimal disruption, so that farmers, foresters and other land managers already delivering improved environmental outcomes can continue to do that throughout the agricultural transition. Importantly, this includes woodland creation grants, and continued management of them following the initial two year payments. We want to continue to plant many more trees to respond to the climate emergency. There are a range of other initiatives available to support woodland creation, including the Woodland Carbon Fund,

Woodland Creation Planning Grant, Urban Tree Challenge Fund and HS2 Woodland Fund that will also help.

Transition to Environmental Land Management

Running multiple schemes

Under the transition plans, there will be a period of time in which both the old and new schemes operate. This will give farmers and other land managers sufficient time to adapt and prepare for the ELM scheme whilst ensuring we don't lose any of the benefits we are currently achieving and that we continue to deliver on our commitments under the 25 Year Environment Plan. We will ensure there is a stable transition from Environmental Stewardship agreements and the Countryside Stewardship scheme to the ELM scheme.

Before 2024 we will therefore be offering annual extensions to existing Environmental Stewardship and Countryside Stewardship agreements, where appropriate as well as providing the opportunity to apply to a simplified CS scheme under a domestic control framework.

We have previously committed to ensure that no-one in an existing scheme is unfairly disadvantaged when we transition to new arrangements. However, under the terms of the Withdrawal Agreement it is likely that Environmental Stewardship and Countryside Stewardship agreements made before 1 January 2021 under the RDPE rules will continue to need to meet CAP rules and regulations, and last for their stated duration.

We propose that those land managers entering into new Countryside Stewardship agreements from 2021 will be able to break those agreements at agreed points without penalty (through annual break clauses), but only once they have secured a place in ELM – including in a limited number of instances the national pilot. Of course agreement holders will be free to choose to remain on the same terms and conditions for the duration of their agreement and cannot be forced into applying for ELM.

National pilot (2021 to 2024)

Through the ELM national pilot we want to learn from and build on the experience and expertise of some of those in Environmental Stewardship and Countryside Stewardship agreements. We plan to test and refine ELM scheme design and delivery during the pilot. Land managers with agreements expiring from late 2021 onwards may be able to participate in the national pilot, recognising that there will only be a limited number of places available each year. Further guidance on pilot design, participation and the application and selection process will be available in late 2020.

Our assumption is that we will continue to ensure no double funding between any legacy scheme and ELM during the pilot, so whilst it is possible that a land manager may hold an

Environmental Stewardship and Countryside Stewardship agreement and enter the pilot, this will only be possible on land where there are no live Environmental Stewardship and Countryside Stewardship agreement e.g. where a farmer owns 2 farms, or on land within their control where there is clearly no legacy scheme or agreement.

All agreements entered into during the national pilot will end in 2024, with the option for land managers who have been part of the pilot to enter the full ELM scheme. There may need to be some re-negotiation over parts of the national pilot agreement, e.g. if the scheme design has been updated during the pilot period.

6. Moving away from farm subsidies

In our policy statement of 2018 we introduced the concept of phasing out direct payments and outlined how this would be achieved. We have provided the information again for ease of reference. We also outlined other changes going forward including: simplification to BPS payments and delinking of payments.

This section will reiterate what we laid out in 2018 on the phasing out of direct payments but will also go on to provide more detail on our proposal for 2021, the simplification of BPS payments, delinking and lump sums.

Starting the transition in 2021

We intend to phase out Direct Payments in England over a seven year agricultural transition period (2021 to 2027). This will provide a managed transition away from the Common Agricultural Policy and free up funding to reinvest in public goods and create a farming sector fit for the future.

We recognise this is a significant change for farmers and that is why we are phasing these changes over time. In September 2018, we set out our initial plans for Direct Payment reductions. Since that time we've worked closely with farmers and land managers across England. There is a clear desire to move away from the failings of the CAP quickly – recognising the need for recipients of Direct Payments to adapt and respond – and our proposals for 2021 reflect that ambition.

As we announced in September 2018, we will reduce Direct Payments in a fair way, with higher reductions initially applied to amounts in higher payment bands. For the first year of the transition, 2021, we will reduce farmers' Direct Payments by up to the following percentages:

Direct Payment band *	Reduction percentage
Up to £30,000	5%
£30,000 - £50,000	10%
£50,000 - £150,000	20%
£150,000 or more	25%

* For example, for a claim worth £40,000, a 5% reduction would be applied to the first £30,000 and a 10% reduction would be applied to the next £10,000.

The reduction percentages will be increased over time until the final payments are made for the 2027 scheme year. The reductions in Direct Payments will be reinvested directly into the farming and land management sector. Specifically in 2021 we will reinvest the money saved from Direct Payments in the following ways:

Support farming's contribution to the 25 Year Environment Plan

- Continuing ELM tests and trials and starting ELM's national pilot [page 12]
- Continue and improve our tree health offer ensuring that the nation's trees are increasingly resilient and health [page 14]
- Look to increase the number of farmers who are coming into Countryside Stewardship as an important contribution to a green and thriving countryside, and for some a stepping stone into ELM [page 31]

Create a farming sector fit for the future

- Make grants available so that foresters, growers and farmers can invest in their businesses allowing them to do more, with less, add value to their products and contribute to tackling the climate crisis [page 20]
- subject to the evaluation of the first year of this work, provide funding to support the business and personal resilience of farmers [page 31]

More detail about what we are proposing under each of these initiatives is set out across the document.

Throughout the transition our priorities for investment will respond to the challenges that farmers and farming in England face. The next 10 years are a period of significant change and 2021 represents the first step of government and farmers working together to invest in farming business, public goods and the production of safe, healthy and sustainable food.

We will continue to work with farmers, land managers and stakeholders as we develop further our plans for how we will reduce Direct Payments over time. These decisions will take account of our detailed delivery plans and wider decisions about government spending. In the Agriculture Bill we commit to an enduring duty to produce multi-annual financial assistance plans. The first of these plans due by the end of 2020, will set out our strategic priorities for financial assistance across the agricultural transition.

Simplifying the Basic Payment Scheme

In the lead-up to the agricultural transition, we are simplifying the existing Direct Payment schemes where possible. The Basic Payment Scheme, greening and young farmer payments will continue for the 2020 scheme year. We don't plan to make any changes to the main scheme rules farmers will need to meet, which should help farmers prepare for the year ahead. We do though plan to introduce some simplifications to make it easier to apply for and administer the scheme where we can.

We will make the penalty system more proportionate by reducing the penalties for small errors in land. For too long, a minor error has led to a big penalty. We will remove the complicated financial discipline mechanism which has led to farmers' payments being reduced in one year and then being refunded the next. We will also reduce the paperwork needed to receive the young farmer payment so that information only needs to be provided once rather than every year. This will allow these farmers to spend more time on running their business

We will look to make further simplifications for the 2021 Basic Payment Scheme. This could include removing some or all of the burdensome greening rules which have failed to deliver for the environment, as well as improving the arrangements for cross-border holdings to help speed up payments to these farmers. It could also include removing the rule that requires farmers to use all their payment entitlements at least once every two years in order to prevent some of them being taken away.

Delinked payments and optional lump sums

As part of the transition to our new agriculture policy we:

- plan to 'delink' Direct Payments from the land for all farmers
- will also look to offer farmers a one-off optional lump sum payment in place of Direct Payments.

Delinking and how it will help farmers

Once we have delinked payments, recipients will no longer have to farm in order to receive payments during the agricultural transition. There will be no need to have land or payment entitlements. Instead, we will make payments based on a reference period.

When delinked payments are introduced, they will entirely replace the current Basic Payment Scheme (and greening and young farmer payment) for all farmers. Delinking will not be optional for farmers.

We consider that delinking meets the desire for simplification that was expressed strongly in the responses to our Health and Harmony consultation. It will allow recipients to access their payments easily, freeing them up to focus on running their business and preparing for the future. It will increase the range of options available to them as they adjust for the future and give them maximum flexibility on how they use the money received.

As with payments made under the Basic Payment Scheme, we do not intend to place any restrictions on how recipients may spend their delinked payments. This will allow each recipient to make decisions which are right for their business.

For example, some farmers may choose to use the money to invest in their business to boost their productivity and profitability. Others may choose to use the money to diversify their activities. As there will no longer be a need to have land in order to get the payment, some may decide to stop farming altogether and use the payment to contribute to their retirement or move to another sector. This should facilitate restructuring, creating opportunities for existing businesses to expand and new entrants to join the industry.

Timings for introducing delinking

We will consult farmers and stakeholders on the detail of how delinking will work before deciding when to introduce it. The earliest we will delink is 2022 but it could be later. In line with our commitment to sharing information openly, we will give farmers sufficient notice before we delink.

Delinking: how it will work

Eligibility

Eligibility for delinked payments will be based on a reference period. For example, it may be necessary to have claimed, and been eligible, under the Basic Payment Scheme in a particular scheme year or years. We will consult before setting the reference period. This reference period will be a year, or period of years, before we introduce delinking.

Following the introduction of delinked payments, those who are eligible for them will normally receive payments during the remainder of the agricultural transition (unless they have chosen to take a lump sum payment instead). We know the circumstances of some farm businesses will change after the reference period (such as a change to business structures). After our consultation we will provide further information on what happens in these cases.

Tenancies

Where land is let to a tenant, it is the tenant and not the landlord who is eligible to use it to claim under the current Basic Payment Scheme. Similarly, we expect that tenants who received a payment under the Basic Payment Scheme during the reference period will usually be eligible to receive a delinked payment.

There is evidence that payments under the Basic Payment Scheme inflate farm rent prices, meaning some of the payment is indirectly paid to the landowner, rather than to the tenant. We expect rent prices to fall as Direct Payments are phased out. Delinking payments, which removes the link between the value of the payment and area of land for which it was previously claimed, should speed up this adjustment in prices.

New entrants

New entrants who enter farming after the reference period are unlikely to be eligible for delinked payments. However, by making it easier for those farmers who wish to retire to do so, delinking should free up land for new entrants. This, together with expected reductions to rent prices, should help them get a foothold in the industry.

New entrants will be able to apply for payment through our new schemes, including our Environmental Land Management scheme, as well as financial assistance to help them to sustainably increase their productivity through on-farm investments.

Payments

A reference amount will be calculated for each potential recipient of delinked payments, based on a reference period. This reference amount will be used to calculate each delinked payment during the agricultural transition. For example, the reference amount may be based on the amount the farmer received under the Basic Payment Scheme for a particular scheme year or average of years. We will tell farmers their reference amount before we start making delinked payments.

The reference amount and delinked payments will not be affected if a recipient stops farming, or expands or reduces their farm operations, during the agricultural transition.

Progressive reductions will be applied to Direct Payments as they are phased out over the agricultural transition. These reductions will apply whether the payments have been delinked or not. The value of the delinked payments each year will therefore be less than the reference amount.

Receiving a delinked payment will not disqualify the recipient from applying for payment under our new schemes, including our Environmental Land Management system.

Cross-border farms

Some farmers have a cross-border holding, which means they have land in more than one part of the UK (England, Northern Ireland, Scotland and Wales). We are working closely with the devolved administrations to make sure cross-border farmers are clear about how they can access the payments.

Good land management and husbandry standards

When we delink, all farmers must continue to comply with regulatory requirements. We are committed to maintaining our strong land management and husbandry standards, with enforcement mechanisms that are proportionate and effective. An alternative inspection and enforcement delivery approach will be introduced by the time payments are delinked, and cross compliance ends, so that we can maintain agricultural and environmental best practice.

Optional lump sums

We will look, subject to affordability, to offer farmers the option of taking a one-off optional lump sum payment. This would be in place of all the remaining Direct Payments (whether under the Basic Payment Scheme or delinked payments) the farmer would have been entitled to receive during the agricultural transition.

This will provide further flexibility for farmers. It should boost productivity by providing the resources for farmers to invest in their business and allowing those that wish to leave farming to do so more easily, creating more opportunities for new entrants and those farmers looking to expand.

Following consultation with farmers and taking into account affordability we will set out rules for lump sum payments, including:

- how the value of the lump sum will be determined
- whether a maximum payment amount will apply
- who will be eligible to apply for the payment and, if we need to prioritise applications to manage affordability, how we will do this
- when and how farmers can apply

We will confirm the tax treatment of lump sums, as well as delinked payments, in due course.

8. Devolution

Agriculture is devolved and now we have left the EU each UK administration will have to be flexible to develop agricultural policy. We believe that the UK is the most successful political and economic union in history. Together England, Scotland, Wales and Northern Ireland are safer, stronger and more prosperous. That is why we are continuing to work with the Scottish and Welsh Governments and the Department of Agriculture, Environment and Rural Affairs (DAERA) in Northern Ireland to establish a framework for agricultural support.

The policy areas that we expect the framework to cover will include:

- agricultural support spending including agri-environment schemes
- marketing standards
- crisis measures, public intervention and private storage aid
- cross border farms
- data collection and sharing

The framework will be based on the Joint Ministerial Committee (EN) principles. We intend to have the framework in place by the end of the Transition Period or from the first instance when divergence in UK agricultural policy is possible (via new legislation). We continue to have positive discussions with the devolved administrations on all aspects of the framework. We are involved in separate work on a cross-cutting internal market framework, which is being led by BEIS and HMT, and to which the agricultural support framework will closely relate.

As well as ensuring a coordinated approach in devolved areas via the agricultural support framework, including consistency where appropriate, the Agriculture Bill also contains provisions extending UK- or GB-wide. Where these are in areas devolved to the Scottish Parliament, the National Assembly for Wales or Northern Ireland Assembly, we have agreed the approach with each relevant administration and continue to collaborate on the detail of implementation.

We are already collaborating with the devolved administrations on provisions in the Bill extending beyond England, whether on areas reserved to the UK Parliament or not. This includes on the drawing up of regulations under the clauses ensuring UK compliance with the WTO's Agreement on Agriculture, and data sharing agreements related to the clauses on England's Livestock Information Programme. This joint work will continue throughout the Transition Period and beyond, on the other UK- or GB-wide clauses and the implementation of secondary legislation or programmes.

9. Timeline for changes

As we move away from the Common Agricultural Policy we will start to introduce our new policies. We will start phasing out Direct Payments and will be looking at how the Environmental Land Management Scheme will replace the Countryside Stewardship Schemes. We will also be introducing grants to farmers, growers and other land managers to make investments, reduce environmental impacts, support innovation, improve the health and welfare of our animals and improve plant health.

We are keen to make sure that these changes are introduced in a way which minimises difficulties and that farmers are given the support they need to adapt to the changes.

As we move through the transition we will steadily introduce more of the changes. It is during this time that we will delink direct payments from the land, and introduce more of the public money for public goods schemes – ELM, animal health and welfare and Tree health.

By 2024 and beyond we will have introduced the new schemes and will be on track to having a new agriculture policy fully in place. ELM will have completed their national pilot and will be ready to launch the full scheme and a new regulatory model will be in place

2020

Direct Payments

- Will continue to operate

Countryside Stewardship

- Schemes will continue to be available
- New round open (February 2020)

Basic Payment Payments

- Greening and young farmer payments will continue for 2020
- Paperwork for young farmers will be reduced

Environmental Land Management

- Tests and trials ongoing

Regulation and enforcement

- Penalties are made more proportionate
- Current regulatory standards will be maintained
- Cross compliance will continue

Animal, plant health and animal welfare

- Tree health grants scheme to be trialled in 2020/2021

Supply chain fairness

- Introducing new powers to improve data transparency

2021 to 2023

Direct Payments

- Start to phase out direct payments by up to the maximum reductions of:
 - Up to £30,000 = 5% reduction
 - £30,000 - £50,000 = 10% reduction
 - £50,000 - £ 150,000 = 20% reduction
 - £150,000 or more = 25% reduction

For example, for a claim worth £40,000, a 5% reduction would be applied to the first £30,000 and a 10% reduction would be applied to the next £10,000

- Reduction of payments will continue over the transition period. Percentages will increase during this time until the final payment is made for the 2027 scheme year
- Direct payments will be delinked in 2022 at the earliest

Countryside Stewardship

- Schemes will continue to be available
- New schemes starts in January 2021
- Last year for applications to simplified Countryside Stewardship is 2023

Simplifying Basic Payments

- Further simplifications to be made for 2021 BPS

Environmental Land Management

- National pilot starts in 2021
- First pilot module will begin late 2021

Regulation and enforcement

- Simplifications for cross compliance start in 2021
- Interim delivery model planned for 2022

Animal, plant health and animal welfare

- Schemes for Animal Health to start from April 2022
- Tree health grants launched alongside ELM in 2021

Productivity

- Productivity grants available for application in 2021

Innovation, research and development

- Scheme rolled out between 2021 and 2022

Supply chain fairness

- Introducing and enforcing statutory codes of practice from 2021 (for contracts between qualifying sellers and business purchasers)
- Introducing new domestic system for producer organisations from 2021

2023 to 2027

Direct Payments

- Reduction of payments will continue over the transition period. Percentages will increase during this time until the final payment is made for the 2027 scheme year

Environmental Land Management

- ELM scheme officially launched

Regulation and Enforcement

- New regulatory model by 2024

Animal, plant health and animal welfare

- Tree health grants to replace Countryside Stewardship by 2024

Productivity

- Productivity grants continue