

A Monthly Briefing for UK Farmers – August 2022

- The **Sustainable Farming Incentive (SFI)** opened in England on 30th June for applications to the Soils Standards. There is no deadline date for applications, which can be made via a new online portal on farmers' Rural Payments accounts. In contrast to most peoples' understanding, where land is already under Country Stewardship management, there will only be a limited number of options for which the *same area* of land can also be entered into the SFI. Tables 1 and 2 in the following guidance show which options can be used on the same area <https://www.gov.uk/guidance/how-an-sfi-standards-agreement-interacts-with-other-funding-schemes>.
- The next phase of the **Future Farming Resilience Fund (FFRF)** will commence in October 2022 and run until March 2025. Through the FFRF, BPS claimants in England can receive free business advice, such as one-to-one farm visits, workshops, webinars and tours. Under this latest, and final round, 17 organisations will receive a total of £32m to support up to 32,000 farmers. Farm businesses can choose who they would like to receive their advice from. Andersons' consultants will be delivering one-to-one farm advice in association with Ricardo-AEA Ltd. Please contact one of our consultants if you are interested in having a free business review.
- The RPA started to make **BPS advance payments** to farmers in England on 19th July. Most farmers should have received their first payments by the end of July. Advance payments are 50% of the estimated full amount due. The proportionate amount of the % deductions under the Agricultural Transition will be applied to both the advance and balance payments. *Although the twice-yearly payment structure has been brought in this year to help with cashflow issues, the RPA has confirmed this will be a permanent change to BPS payments in England.*
- New legislation is expected to be introduced to allow the continuation of legacy **Higher-Level Stewardship and Countryside Stewardship agreements** to be brought under UK rules which are more favourable. This will introduce a less severe penalty regime and there should also be the possibility to extend agreements by at least 3-years rather than the current one year. Amendments to existing agreements may also be allowed.
- The UK Government has failed to offer MPs the opportunity to debate the **UK-Australia FTA** within 20th July deadline. This means that the FTA can be ratified by the Government without the parliamentary scrutiny that it had promised to the farming industry on several occasions. Separately, the House of Commons Library published its assessment of the UK-Australia FTA on 15th July. It noted that whilst the overall impact of the FTA is limited, the effects on agriculture will be more sizeable. The impacts would be strongest in the beef and sheep sectors.
- The latest **Total Income from Farming (TIFF)** figures for England show profits rose 17% in real terms between 2020 and 2021 to £4.2bn. The rise was largely down to higher yields of crops and better sales values for both livestock and crops. This was partially offset by higher input costs. *The outlook for 2022 profitability is difficult to forecast. Some sectors such as arable and dairy have been more than compensated by higher sale prices. Whereas pigs, poultry and horticulture have not been so fortunate.*
- The Welsh Government has announced the opening of two new schemes, these are part of a number of grants which will be available over the next three years to assist Welsh farmers during the transition to the new Sustainable Farming Scheme (See Spotlight article). The **Nutrient Management Investment Scheme** is now open in Wales and will close on 12th August 2022. Grants, of up to 40%, will be available to purchase items which enhance farm nutrient management, protect and enhance water, soil and air quality, improve farm resource efficiencies, technical performance, and the use of technology to improve management decisions. There is a list of eligible items which can be found via <https://gov.wales/nutrient-management-investment-scheme-list-eligible-capital-items>.
- The **Organic Conversion Scheme (OCS)** in Wales is also open for Expressions of Interest and will close on 26th August 2022. The OCS is a 5-year contract, which will provide support for conversion of eligible land to organic production and towards the cost of certification in the first 2-years of the contract only. Full guidance is at <https://gov.wales/organic-conversion-scheme-guidance-html>

Future Farm Support in Wales

The Welsh Government has outlined proposals for the new Sustainable Farming Scheme (SFS), which will replace the Basic Payment Scheme. It will be the main source of future support for farmers in Wales.

The Proposals

The new SFS will have three layers; **Universal**, **Optional** and **Collaborative** – each containing a set of ‘actions’. All Universal Actions must be carried out by farmers who join the Scheme. A ‘baseline payment’ will be made to farmers for undertaking the ‘Universal Actions’. There will also be additional payments for those farmers who choose to undertake extra ‘Optional’ and ‘Collaborative Actions’.

Universal Actions – the aim is for these to be practices that most farmers will be able to undertake and that can be integrated into the current farming practice. Farmers will be expected to perform the Universal Actions to receive their baseline payment, these will include;

- Managing and enhancing (semi-natural) habitats across at least 10% of the farm, or creating new habitat features where existing habitat does not exist
- Having at least 10% tree cover on farm (*in addition to the above*) managed in line with UK Forestry Standard
- Managing new and existing hedgerows in line with the hedgerow management cycle
- Having a multi-species cover crop on all uncropped land over winter
- Restoring, managing or creating ponds or scrapes (temporary ponds)
- Ensuring biosecurity measures are in place to reduce the risk of spreading diseases and ensure farm boundaries are secure
- Completing an annual benchmarking self-assessment against a minimum of the sector and industry KPIs to improve business performance
- Carry out soil testing (N, P, K, Carbon and pH) at Scheme entry and in time for contract renewal including, biological measures (e.g. worm counting) and physical assessments (e.g. Visual Evaluation of Soil Structure)
- Completing an Integrated Pest Management (IPM) assessment; collecting and record data on Plant Protection Products use
- Working closely with their vet via the Animal Health Improvement Cycle (AHIC) and reporting on farm antibiotic use
- Maintaining and enhancing the historic environment, beauty and heritage where identified on holdings
- Completing a level of learning, including Health and Safety.

*Most compulsory elements of nutrient and livestock management are already completed by farm assured businesses so there will not be too much change in that respect. But for some it could be a lot of additional work. The need for 10% of land in woodland **plus** 10% of land in semi-natural production looks like being quite onerous for some.*

Optional Actions – farmers will be able to choose which actions they undertake. These will be targeted towards specific land or landscape feature issues; these will include;

- Restoring damaged peatlands through ditch blocking or re-establish vegetation
- Growing crops to reduce the amount of bought-in feed
- Establishing new horticultural enterprises within existing farm businesses
- Support for innovation projects which trial new techniques and technologies
- Support for isolating incoming stock for 6 days and having a 3m wide fence and hedge farm boundary
- Actions which impact a farm’s nutrient use and soil condition e.g. nitrogen fixing plants, crops with varied rooting profiles, min or no till
- Use a graze-and-rest approach for 5 months of the year
- Establishing/maintaining a mixed sward of grasses, legumes and herbs
- Support for managing/creating woodland more than the 10% minimum coverage and for increasing the width of hedgerows on boundaries to 3m
- Managing or enhancing habitats above the 10% minimum

The above is not an exhaustive list. It is made clear that these are only proposals and that some of the actions may be changed based on feedback received through the second phase of co-design and additional features may also be included in the future.

Collaborative Actions – these will be carried out in a coordinated way by multiple land managers at a landscape, catchment or national scale where they can deliver more than the sum of the individual parts; including;

- Support for working with other farmers across catchments to improve water quality
- Support for innovation projects to help farmers work together to sell more directly to the consumer to add value
- Support for projects to restore and manage peatland shared by multiple farmers
- Collaborative support for producers who work together to promote genetic health from native breeds and come together to use native breeds to develop and maintain natural habitats and increase diversity.
- Creating interconnected habitats across landscapes
- Supporting projects which enhance the historic environment and designated landscape across multiple farms

Each farm business will need to complete a Sustainability Review before entering the scheme. This is likely to include basic farm and land information (similar to the Single Application Form), a Carbon Assessment and Habitat Baseline Review – *the hope is for farmers to be able to use tools already available to minimise the burden and that this can be completed on-line.* Contracts will be up to five years in length. No indication of payment rates has been given yet, these will be informed by Government modelling and economic analysis which is still underway.

Under the proposals, there will be an advisory service together with farmer-to-farmer knowledge sharing to help producers carry out the actions. This will be provided through a new Farming Connect programme, including a 'redesigned' advisory service. Farming Connect will also include a Continuing Professional Development (CPD) Programme.

Timetable

Between now and 2024 the Welsh Government will support farmers through a 'Prepare and Pilot' phase. As part of the 'preparing farmers', the Welsh Government would like to receive views and thoughts on the scheme and has launched the second phase of co-design so that farmers can give their feedback. Piloting will also take place over this period. The Welsh Government has confirmed, the proposals include a 4-year transition period commencing on 1st April 2025 and ending on 31st March 2029, meaning there is no 'cliff edge' in funding if farmers choose not to participate in the new SFS, with a 'stability payment' available during these years.

The Government is currently engaging with the sector during the next phase of co-design. A decision on the final scheme will not be made until further consultation on the detailed proposals and the economic analysis has been presented in 2023. Full details can be found at – <https://gov.wales/sustainable-farming-scheme-outline-proposals-2025>

For further information please visit our website:

www.theandersonscentre.co.uk

Or contact a member of the team:

01664 503200

3rd Floor,

The Tower,

Pera Business park

Melton Mowbray,

Leicestershire, LE13 0PB.