

Briefing

How the next government should make farming policy work



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Climate change is no longer a future problem for Britain's farmers. Weather extremes now routinely impact farm profits. Government has the ideal opportunity to support farms to become more resilient to their greatest threats ([climate change and biodiversity loss](#)), through their new farming policies. Each nation is independently creating a new system of farm payments to replace the EU's Common Agricultural Policy, where [most of the budget](#) was paid unconditionally to the largest farms. The transition faces a tall order: it must secure food production whilst also supporting farms to decarbonise, cut pollution and restore nature.

In England, the farming budget accounts for [about half](#) of farm incomes. The viability of many farms depends on England's new policy, the Environmental Land Management Scheme (ELM). The scheme is based on the principle of paying for public goods, like protecting wildlife or storing carbon, and is being rolled out gradually across the country. Some elements of ELM hold promise but, as the Office for Environmental Protection [recently found](#), government progress towards environmental commitments remains largely off track.

Though we now know the main components of ELM, farms are still operating with great uncertainty. The current government has set little vision of what will happen beyond 2024, besides the phase out of the Basic Payment Scheme by 2027, which will release a further £1 billion to be spent through ELM each year.ⁱ The Labour Party has not provided any detail of what it would do with the scheme beyond its [promise](#) to "make ELM work".

The next government will have to do this in practice from day one. There are fewer than six years left to deliver the legally binding commitment to end nature decline in the Environment Act 2021, and to meet the UK's carbon reduction target set by the Paris Agreement. With billions of pounds of funding up for grabs, a plan is needed now to ensure that money is spent effectively for both farmers and the environment.

In addition, the next government should be concerned by the state of farm incomes. Unless they diversify their businesses, the average upland grazing farm is in trouble. These farms [made](#), on average, £25,400 in 2023, thanks only to the receipt of £19,700 support from the Basic Payment Scheme. This comes to an end in 2027. So the next government has two years, at the most, to help turn the fortune of these farms around.

The good news is that, as money is phased out of the Basic Payment Scheme, it becomes immediately available for public goods payments through ELM. The next government will need to act quickly and have ideas ready to spend every penny of the existing budget, to avoid the [criticism](#) made of 2023's underspend and make sure farms are rewarded for the environmental benefits they deliver.

This is a unique opportunity to be one of the first countries in the world to have an agricultural policy founded on the delivery of public goods. And, as [analysis](#) has continuously shown, because half the current budget goes to the largest ten per cent of farms, most farms will be better off if the transition is done well. The least profitable farms will flourish if funding can flow to them through ELM, given they are often the best suited to the environmental delivery it supports. But to achieve this will require clear focus and delivery at pace. In that vein, here's a guide on where to go from here.

A six point plan for ELM

1. Create a roadmap for ELM to 2030, allowing farms to plan and to show how climate and nature targets will be met via the scheme

Currently, it is not clear how ELM will be developed to absorb the £1 billion paid out this year under the Basic Payment Scheme when it ends in 2027, and progress towards environmental targets [is way off](#).

To address this, the next government should create a roadmap for ELM's development to 2030. This should set four main intentions.

First, it should plan to expand the Landscape Recovery and Higher Tier Countryside Stewardship Schemes. These schemes have been oversubscribed but have the potential to deliver the most environmental benefit and the best value for money (explored further below). Investing in these schemes will support creation and restoration of nature rich woodlands, peatlands, scrub, heath and species-rich grassland habitats which are often best suited to upland farms. Rapid investment in these farms is much needed: the Basic Payment Scheme, phasing out by 2027, accounted for 78 per cent of the average upland grazing farm's income in 2023.

Second, it should change the course of the Sustainable Farming Incentive which, in its current form, [has little potential](#) to reduce emissions, and could inadvertently reduce food production in exchange for little environmental benefit on highly productive land. The Sustainable Farming Incentive should focus instead on incentivising actions that reduce environmental impacts without reducing food production, with ambition ratcheted up over time. The scheme's budget should be limited to ensure enough spend can flow to more marginal farms through the other ELM schemes.

Third, capital spend should rise, both to support more uptake of the precision technologies that reduce farm inputs and, therefore, pollution, and to create more habitats that store carbon. This investment is vital to move farm

businesses towards more profitable futures. In this way, the Sustainable Farming Incentive would help farms become more profitable and less reliant on public payments.

Fourth, details should be published on how farmers can combine funding from different ELM schemes with private funding. Clarity is needed on this to enable private markets to grow and increase the amount of funding available for sustainable land management. It would also give farmers certainty to decide what will work best for their businesses.

2. Design ELM to deliver against legally binding environmental commitments and expose the underpinning evidence

At present, there is no evidence of how ELM, in its present form, will deliver the government's commitments to end nature decline, reach net zero and improve water quality. There are no assessments of whether payment rates are sufficient to lead to the changes needed to meet environmental targets, or what the impact on food production will be. Current payment rates do not offer reassurance. For example, it doesn't make sense that the huge climate, nature, and flood mitigation benefits of restoring an upland bog habitat are paid at [£181 per hectare](#), while the much more meagre benefits of herbal leys are paid at [£382 per hectare](#). The Sustainable Farming Incentive appears to be favouring the most profitable scheme in exchange for the least environmental benefit.

There is a wealth of evidence within the Department for Environment, Food and Rural Affairs (Defra) of the effectiveness of measures that can be implemented on farms to deliver our targets. The [Land Use Framework](#) must draw upon this evidence to develop spatial scenarios of how the targets can be met. This must then inform the development of ELM, with payment rates for each measure set to ensure the required level of uptake in the right places.

3. Secure and expand Landscape Recovery

Landscape Recovery has the greatest potential to restore nature and store carbon of all the ELM schemes, at the least cost to food production. Because Defra selects projects individually, Landscape Recovery allows for close spatial targeting of environmental activity where it makes most sense, which is often where food production is lowest or close to where rare habitats or species remain.

In contrast, the Sustainable Farming Incentive is not spatially targeted, so the activity it supports cannot be driven to where the trade-offs with food production are lowest.

Given the potential for Landscape Recovery to deliver environmental benefits with the lowest trade-offs, it doesn't make sense that it is the smallest scheme by far. At present, Landscape Recovery receives only [one per cent](#) of the annual budget, though this will grow as projects move into the implementation phase. However, spend and activity will still fall far below that required to meet environmental targets, and Defra has not committed to further expansion of the scheme. Farming businesses looking to make plans,

as the Basic Payment Scheme phases out, have no idea whether this scheme could be an option for them in the future.

The next government must consider how the sum of its schemes will deliver on nature and climate targets, adjust their size accordingly and communicate that to farmers. As per the [initial vision](#) of ELM, the Landscape Recovery scheme should expand so it absorbs a third of the farming budget.

4. Fix the Higher Tier part of the Countryside Stewardship Scheme

Countryside Stewardship is split into two strands, with the Higher Tier scheme more bespoke than its Mid Tier counterpart. The increased specificity of Higher Tier is clearly beneficial: Higher Tier style schemes [have been shown](#) to increase farmland bird populations, whilst positive effects of the Mid Tier are less clear. Farmers benefit too, as Higher Tier agreements bring access to a greater income stream, including capital grants. This is essential support for farms in marginal areas that need to rethink their businesses to be profitable without support from the Basic Payment Scheme.

But because agreements are more site specific, and involve an element of advice, their administration takes time. Possibly because of funding cuts to the organisations that process these agreements, only [420](#) were put in place in 2023, [compared to](#) 2,500 processed ten years ago under comparable schemes. Farmers clearly want this scheme to grow. Last year, [nearly 200](#) applicants were turned away and a farmer-led petition, calling for more Higher Tier agreements, [secured thousands](#) of signatures. Whilst the recent government commitment [to double](#) the number of agreements made each year by 2025-26 is welcome, there is no plan to make that happen. Further ambition is necessary even to reach the previous rate.

5. Improve the advice service for all

Many farm businesses need to change substantially to remain profitable. The government is proud of the 300+ options that farms can choose from, but they need advice to make the best choices for their businesses whilst improving the environment. Many are looking to incorporate income streams for environmental outcomes for the first time. Impartial advice must be available to all farmers on how to adapt their businesses to be profitable, given the income streams now available. In addition, an ambitious peer to peer learning scheme should be put in place help transmission of knowledge across farms, including amongst Landscape Recovery projects.

6. Implement a new regulatory baseline

Despite promises to maintain environmental protections, regulations offering at least some protection to hedgerows, rivers and soils [have been lost](#) since Brexit. Other regulations, such as the Farming Rules for Water, [are](#) poorly enforced. The Labour Party has been vocal in its promise to clean up rivers, but it has focused on water companies and not agriculture, which accounts for [at least half](#) the problem. The lack of an enforced baseline is putting farms on an unlevel playing field. Those doing the right thing incur

higher costs to properly manage their slurry, watercourses and hedgerows. Others benefit financially from cutting corners, whilst the environment suffers.

The next government must raise and enforce the baseline so that all farms comply with minimum standards. Water quality will remain a prominent issue with only [12% of the investment needed to meet](#) environmental targets secured. Support must be increased through programmes like the Slurry Infrastructure Grant Scheme that offers farms essential support to reduce water pollution.

The next government must plan now

While the next government will be tempted to say little on farming policy for fear of getting it wrong, it has no time to waste. We [lack policy](#) to cut emissions from farming in line with net zero, and there is no published credible plan on how to halt nature decline by 2030, which will largely fall to the next government to deliver.

This is also a moment of huge opportunity. Despite difficult economic circumstances, the phase out of the Basic Payment Scheme means the next government will have money to spend to shift the future of farming onto a more secure path. This is rare chance to change the system of farm payments to be fairer, towards creating thriving farms that are more resilient to climate change, more nature rich and more financially secure.

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