

# Agriculture Bill Update

## How can farmers prepare for the implementation of the Agriculture Bill?

March 2020

The new Conservative government published a revised Agriculture Bill on 16<sup>th</sup> January, with the intention that it is passed by Parliament before the UK leaves the EU.

It replaces the previous Bill that was published in October 2018 although the majority of the proposals in it are the same.

We have summarised its main proposals in ten points on the next page.

It should be read alongside the Environment Bill (see our short summary [here](#)) and the government's timetable for introducing its 'public goods for public money' scheme, which will be called the Environmental Land Management System (ELMS) (see our summary [here](#)).

The Bill applies in England, Wales and Northern Ireland, although the latter two countries can decide many of their own reforms. The Scottish government is not taking powers in the Bill, at present.

Although it contains more detail than its predecessor, a number of key issues for farming will be dealt with by other legislation and policy. The Bill does not mention future agricultural workers policy, trade policy or whether UK standards for food production will be maintained.

### Effect on net profits of changes in farm support & the new Environmental Land Management System

The most significant proposal remains to phase out direct payments, also known as Basic Payments, by 2028.

Although Basic Payments will be replaced by ELMS and funding will remain at current levels, of approximately £3.2bn in the UK and £2.2bn in England, we expect there to be a significant negative impact on farm profits, for businesses not currently in the top 25%.

The [net profits](#) that land managers can earn from ELMS are likely to be much lower, due to the associated costs of carrying out environmental management work, compared to net profits from Basic Payments, which were 80-90% of the payment received.

Given this we strongly recommend that all land managers produce budgets for their businesses from now to 2028. This will prove a useful starting point for discussions about how best to address the potential funding gap, with solutions including the need to raise productivity, reduce fixed costs and grow profits from diversification and environmental management.

We have produced a **calculator to show how direct payments will be reduced from 2021 to 2028**.

We have also produced a set of **three scenarios to assess the effect of the proposals on net profits** from farming, agri-environment and diversification.

**Our farming team can run any business through the three scenarios, free of charge, and it just requires five pieces of data for a business:**

1. Area of farm that generates profits (ha)
2. Farming net profits
3. Agri-environment net profits
4. Diversification net profits
5. Basic Payments net profits



## The Bill in 10 points

### What was in the previous version of the Bill and remains in the updated one

**Direct payments, also known as Basic Payments, will be phased out** to zero from 2021 to 2028, during the 'agricultural transition period'. Payments during the transition will be based on a 'reference period', which is to be confirmed.

The government can make delinked payments, with no obligation for the recipient of the payments to remain a farmer. Payments can also be made in a lump sum but there are no further details than previously published.

Farm support will **pay land managers for providing public goods**, mainly through the new Environmental Land Management System (ELMS). The public goods are listed below and more fully overleaf.

1. clean air;
2. clean and plentiful water;
3. thriving plants and wildlife;
4. reduced risk from flooding and drought;
5. more sustainable use of resources;
6. enhanced beauty, heritage and engagement with the natural environment.

It **does not include a commitment to avoiding imports of food produced to lower standards** of food safety, animal welfare or environmental sustainability than farmers in the UK will have to follow. 60 organisations have written to the government calling for a legal assurance on this matter.

There will be the **ability to intervene in markets** in exceptional circumstances.

A proposal to **reform tenancy legislation** so that it is easier for tenants to join schemes like ELMS, invest in their holdings to meet regulatory requirements, and for adjudication on some tenancy matters by 'third party determination', which is likely to be cheaper than arbitration. The Central Association of Agricultural Valuers (CAAV) has said that, 'letting land out to the right people should be a key part of the changes'. We agree and want to help shape the modernisation of tenancies.

### What is new

1. **Support for farming will be maintained at the current level** – about £3bn a year – for the duration of the current Parliament. This is positive as there were fears that it would be significantly cut. The Bill does not specify how the precise amount of support will be decided; for example, will the Sterling : Euro exchange rate be used to establish the value of BPS payments until they are phased out?
2. Financial support for farming will be set for a number of years, like the CAP currently is. The first 'multi-annual financial assistance plan' is for the period of seven years beginning with 1 January 2021 to cover the agricultural transition period. Subsequent plans must be a minimum of five years long. This is positive as it will provide more certainty for the sector.
3. The government will **report to Parliament on food security at least every five years** and adapt its policies if necessary. It is not clear how much this will differ from the current UK Food Security Assessment. It will also report on the impact of all land management schemes.
4. **Soil is now listed in the Bill as 'an essential natural asset'**, with recognition that 'its careful management can help to provide a whole range of public goods'. This is the first time the government has committed to providing financial support to farmers for protecting or improving soil quality. The Soil Association suggests this could be through supporting soil monitoring programmes and soil health research. The association has also warned that the previous commitment for all soils to be sustainably managed by 2030 is now 10 years old, and there has been little focused ambition or strategy to achieve it.
5. The Bill says that the **government must 'have regard to the need to encourage the production of food and its production in an environmentally sustainable way'** in developing new schemes. This is new, but it is not clear how material it is and its weight compared with other commitments.



## What the government is likely to focus financial assistance on in future

Purposes of financial assistance	Examples given
Delivery of environmental outcomes such as <b>cleaner air, clean and plentiful water and thriving plants and wildlife</b> by carrying out environmentally beneficial land and water management activities.	Improve air quality by creating financial incentives for the targeted planting of trees to help capture ammonia emissions and protect nearby sensitive habitats from damaging nitrogen deposition.
Support <b>public access to and enjoyment of the countryside</b> , farmland and woodland. Also support understanding about the environmental benefits that land can provide.	Incentivise foresters to provide facilities for educational visits for schools.  Assist farmers and land managers to share information about agroecology.
Maintain, restore or enhance <b>cultural or natural heritage</b> .	The maintenance of historic farm buildings, dry stone walls and conservation of limestone pavements.
<b>Mitigate or adapt to the effects of climate change.</b>	Incentivise peatland restoration to protect the existing carbon store and reduce emissions of carbon dioxide to the atmosphere.
Prevent, reduce or protect from <b>hazards to the environment</b> .	Improve soil water infiltration to help mitigate against flooding.
Improve <b>animal health and welfare</b> .	Encourage participation in animal health or disease control schemes. Support the financing of testing for a particular disease.  Improve animal welfare outcomes, such as ensuring animals have access to materials that allow them to express their natural behaviours.
Support the conservation and <b>maintenance of UK native genetic resources</b> relating to livestock or equines.	Incentivise farmers to invest in rearing rare and native breeds or species, because they may contribute to sustainable food production, improve our adaptation to climate change and / or new animal or plant diseases.
Protect or improve the <b>health of plants, including wild plants</b> , agricultural and horticultural crops, trees and bushes.	Support for measures which reduce the risk of the introduction and spread of harmful plant pests and diseases.
Protect or improve the quality of <b>soil</b> .	Support farmers with decision making and soil management to improve soil health, such as assistance for soil monitoring programmes and funding of soil health research to provide baseline site-specific understanding of soil properties.
Improving the <b>productivity</b> of agricultural, forestry, or horticultural activities.	Providing grants or loans for precision application equipment to use slurry more effectively and reduce ammonia emissions.
Support <b>ancillary activities</b> .	Support for selling, marketing, preparing, packaging, processing or distributing agricultural, horticultural or forestry products.



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Head Office (London City)	020 7338 4000
Ascot	01344 876 363
Banbury	01295 273 592
Banchory	01330 824 888
Cambridge	01223 459 500
Canterbury	01227 451 123
Chelmsford	01245 258 201
Chester	01244 354 888
Chichester	01273 832 602
Cirencester	01285 659 661
Edinburgh	0131 226 2500
Exeter	01392 215 631
Farnham	01252 821 102
Gerrards Cross	01753 891 188
Guildford	01483 306 565
Harpenden	01582 764 343
Harrogate	01423 561 274
Haslemere	01428 661 077
Horsham	01403 246 790
Inverness	01463 719 171
Ipswich	01473 214 841
Lewes	01273 475 411
Ludlow	01584 873 711
Market Harborough	01858 433 123
Mayfair	020 7629 7282
Moreton-in-Marsh	01608 650 502
Morpeth	01670 516 123
Newbury	01635 521 707
Northallerton	01609 780 306
Norwich	01603 617 431
Odiham	01256 702 892
Oxford	01865 366 700
Pangbourne	0118 984 575
Perth	01738 567 892
Salisbury	01722 328 741
Sevenoaks	01732 459 900
Shrewsbury	01743 284 204
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