

Environment, Food and Rural Affairs Committee

Oral evidence: Environmental land management and the agricultural transition, HC 78

Tuesday 20 July 2021

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[Watch the meeting](#)

Members present: Neil Parish (Chair); Geraint Davies; Rosie Duffield; Dr Neil Hudson; Robbie Moore; Mrs Sheryll Murray; Julian Sturdy.

Questions 183 - 265

Witnesses

I: Paul Caldwell, Chief Executive, Rural Payments Agency; Dr Tony Juniper CBE, Chair, Natural England; Rob Cooke, Director, Greener Farming and Fisheries, Natural England.

II: Rt Hon George Eustice MP, Secretary of State for Environment, Food and Rural Affairs; Janet Hughes, Future Farming and Countryside Programme Director, DEFRA.

Written evidence from witnesses:

– [Natural England](#)



Examination of witnesses

Witnesses: Paul Caldwell, Dr Tony Juniper and Rob Cooke.

Q183 **Chair:** Welcome to the EFRA Select Committee. We have our final couple of panels today on the environmental land management schemes. Today, first of all, we have Paul Caldwell from the Rural Payments Agency; Tony Juniper from Natural England; and Rob Cooke, the director of greener farming and fisheries from Natural England. Would you like to introduce yourselves briefly for the record?

Paul Caldwell: Hello, my name is Paul Caldwell; I am the chief executive of the Rural Payments Agency.

Dr Juniper: Good afternoon, everybody. My name is Tony Juniper. I am the chairman of Natural England.

Rob Cooke: Good afternoon, Rob Cooke here. I am the programme director for greener farming and fisheries at Natural England.

Q184 **Chair:** Lovely, thank you very much. I am going to start off with the first question. What roles do all of you expect to play in the delivery of the ELM schemes beyond the sustainable farming incentive pilot? Has DEFRA been clear about this?

Paul Caldwell: I note that you said beyond the pilot, but it is important to include the pilot, because the pilot is very much part of the learning for the rollout of the offer or part of the offer more generally. It is also important at this point to make a distinction: the programme covers a variety of initiatives and offers rather than a singular scheme. As such, it is a broad offering that will hopefully appeal to many people.

We have been involved quite heavily with the programme, in drawing up the pilot in particular, but also in part of the work that various people have been doing in developing the offers on things like the farm innovation fund and some of the replacement grants for RDPE downstream. In addition to that, we have been working on evolving the SFI offer for 2022. I expect that we will be very close to the Department in delivering that SFI offer in 2022 and we will continue to work with it on the offer of 2023.

It is also important to recognise that the Secretary of State has spoken about the totality of the offer, including the importance of a transition arrangement that rests on the current stewardship schemes. I am sure we will come on to them. I expect that they will continue to run for a while as the trajectory of the ELM programme starts to gain momentum and people can avail themselves of more facets of the offer. In respect of roles, I would expect our organisations to work in a complementary way to cover the totality of the offer.

Q185 **Chair:** The question that you cannot directly answer is that you are involved in delivering the pilots, but you have not actually been told yet



whether you will be involved in the final rollout of the two other parallel schemes that will come with ELM. I suppose it is difficult for you to say that you would be expected to be that, but the argument is that you are dealing with the pilots so you would expect to deal with the rest. How forthcoming do you wish to be on that particular point?

Paul Caldwell: It is for the programme to decide its future operating model, and that work is still in train. It is important that we have some certainty over the short and mid-term at least. At the moment, I expect that we would feature in that frame.

Q186 **Chair:** Okay, that is what we are going to get. Well done. Thank you for that. Tony, as far as Natural England is concerned, you have been working more and more now with the Rural Payments Agency on the delivery of the existing stewardship schemes. Are you reasonably happy in the space you are in with the sustainable farming incentive and the way you are dealing with both the RPA and DEFRA?

Dr Juniper: The roles that we have in this now and into the future will operate very likely at several levels. For the current period and recently, we have been heavily involved in providing evidence-based advice for the policy-making side. Natural England has been involved in the delivery of agri-environment schemes going back 30 years, and we have an enormous amount of experience and knowledge that we are feeding in to make the new policy, hopefully, as strong as possible. We are also involved in that process via tests and trials, and other research, which hopefully can be brought to bear to make this as strong as it can be in delivering the environmental outcomes that are being sought.

The next phase of this is less clear as yet as decisions are still to be made, but one would expect that Natural England would have quite a strong role on the delivery side, given the role that we have played over some decades now in rolling out agri-environment schemes and making them work on the ground. One thing that has struck me in the two years that I have been working at Natural England is the very positive feedback that I have been getting from farmers and landowners over the role that they have seen being played by Natural England local advisers and facilitators, not only helping people to master the detail and complexity of all of this, but to make good choices and, most importantly and perhaps less tangibly, to create some sense of passion and pride, through people being able to join in with these schemes and deliver something for the nation.

On that delivery side, there is a lot for us to do. In particular, the local nature recovery side and the landscape recovery side of ELM in particular is where the kind of advice and facilitation that we have done in the past can add real value, because we do know that advice works. We have evidence for that. If we want to get value for money from this very considerable investment into the future, putting Natural England advisers into the frontline would be a very sensible thing to do.



The third thing that we will hopefully play a role in going forward is evaluation—making sure that the schemes that are rolled out are working and that the investments we are putting in are delivering for the country as we would hope, so that we can calibrate and change the schemes over time, if needed.

The fourth thing is being able to make sure that the ELM schemes are rolled out in a way that is integrated with other really important strands of Government policy going on at the moment, to achieve some of these big overall aims for nature recovery. ELM is not the only thing we have for nature recovery: we are going to have biodiversity net gain; we have the peatlands strategy; we have aspirations for the water environment; we have a major tree-planting programme. All of those things can hopefully be brought together. We hope that Natural England will be an organisation that is helping to do that through the local nature recovery strategies that will be mandated in the Environment Bill.

Quite a lot of that is still to be worked out, but those are some of my thoughts as to where we might be able to play the best possible role in helping this policy to succeed in the best possible way.

Q187 Chair: Since you have been there, Tony, we have had this change in situation whereby the Rural Payments Agency is physically making the payments. Natural England has provided good advice and is working better with farmers, dare I say it, than perhaps in the past. We have to be confident in future not only that you get the policies right, but that you actually get a payment out and that you get it out on time. I do not wish to be too unkind to the organisation, but it did have a reputation for not getting things done on time.

You have given us a great list of things, and some will be relatively complex. I just want to know from you whether you are confident that, after you have taken the complexity out of it, you can deliver payments through the Rural Payments Agency and get those out on time.

Dr Juniper: That would be the aspiration. The relationship that we have with the Rural Payments Agency is very positive. From what I see, we are playing highly complementary roles. On one side, Natural England is there to work with the farming community to conceive the agreements, and the Rural Payments Agency is undertaking the administrative side and the payments side.

Q188 Chair: I am sorry to interrupt you, but you have to be able to get those schemes up and running, and to give that information back to the Rural Payments Agency in order for those payments to be made. I do not want to see all the cards thrown up in the air and then a highly complex system coming back in place, to replace something that may not need to be so complicated.

While a lot of what you say is very laudable, it sounds very complex, and that worries me. Can you reassure me that, in your great desire to be environmental, you do not forget that you also have to try to make some



HOUSE OF COMMONS

payments at the end of the day, and Paul Caldwell and the RPA have to deliver that?

Dr Juniper: That is definitely the aspiration. One of the things that I have certainly found as a consistent theme as I have been speaking to farmers in this role is the extent to which they have been baffled and slightly defeated by the complexities and inflexibilities in the old system.

This is one reason why, at Natural England, we have been very keen to share with the policy-making side some of the experiences of those historical schemes in order to get the new ones right. Being able to go from complexity to straightforward offers that are flexible and work with the situations that farmers find themselves in is certainly where we would like to see the energy go, and we are working to make that happen.

Q189 **Chair:** I am very happy to put on record that Natural England sees a great deal of flexibility in the new system. You are happy with that.

Dr Juniper: We would hope to see flexibility driven by outcomes rather than being driven by process and ticking boxes.

Q190 **Chair:** Rob—and Tony has covered quite a lot of this—you are the Government's statutory adviser on the natural environment, as Natural England. Are you confident that ELM will be able to deliver the Government's environmental ambitions? Tony covered quite a lot of this, but would you like to add to that, Rob, please?

Rob Cooke: We are confident that it is capable of delivering those ambitions. Whether it delivers on them or not is a budgetary question. In order to deliver those ambitions, it will require wide-scale uptake by farmers and land managers, and that requires a budget. The scheme is being designed such that it is capable of doing so, but it needs the budget.

Q191 **Chair:** I understand the point you are making there—if it is just income forgone. Certainly, the SFI is now talking about an uplift in payment. We have to be conscious that, not only from an environmental point of view but from a financial point of view, it does not have to be too lucrative for landowners and farmers, but it has to be a good enough payment. Otherwise, they are not going to take it up.

Without putting you in too much of a political spot, do you feel that the present payments on offer are sufficient? You probably do not want to answer that. What would you like to say?

Rob Cooke: We need to be able to find the sweet spot between rewarding farmers and land managers for the delivery of public goods and avoiding a deadweight payment, which then would impact the cost-benefit ratio and might make the scheme look less attractive overall. There will be inevitably a limit to the budget, so it is about how thinly that is spread or whether it is concentrated on a few. We need to work to find that sweet spot.



HOUSE OF COMMONS

Chair: That is a very diplomatic answer, so I will park that for the time being.

Q192 **Geraint Davies:** Paul Caldwell, will we be ensuring that farmers receive these payments before the current payments that they get are withdrawn? A number of farmers are concerned about having a cash flow problem at a time when they are facing problems with exports, the EU and the like.

Paul Caldwell: First, in respect of the turnaround, which I suspect is partly the question, I would just say to the Committee that since I last came here we made certain promises and we have fulfilled those promises. We are paying around about 99% of agri-environment payments within the scheme year compared to about 24% previously, and that absolutely comes down to cashflow.

In respect of the decline of BPS payments, which is the other possible part to the question, the Department and the Government have already set out the position of a sliding scale of reductions, as there is an incremental increase in the scale of funding available for environmental schemes.

Q193 **Geraint Davies:** In a nutshell, farmers will have less money coming in when there is this withdrawal and then the environmental subsidy comes in. In addition to that, will they have a problem that the new payments will be after the old payments have been withdrawn?

Paul Caldwell: The economics of the policy is not really a question for the Rural Payments Agency. In respect of BPS payments, we make over 99% of those in a very timely fashion. To the first part of the question about what our involvement is, I would expect that our involvement would be, very keenly, to work with the Department to make sure that both the timing and the execution of future payments work in a coherent way with the current setup.

Q194 **Geraint Davies:** Rob Cooke, on this point, will you be ensuring that farmers receive the sustainable farming incentive before the other payments are cut so that they do not have a cashflow crisis while they are facing other problems with exports to the EU?

Rob Cooke: It is not Natural England's role. We are not a paying agency for the sustainable farming incentive.

Geraint Davies: Do you imagine that there will be a problem, from your knowledge?

Chair: I am sorry to interrupt. I did say to you before, Geraint, when you wanted to ask this question, that it is better put to the Secretary of State.

Geraint Davies: I will be asking it, Chair. I just wondered whether the experts had anything to say about it.

Chair: I will let you finish that question, but it is more difficult for them



to answer, because it is more of a political process.

- Q195 **Geraint Davies:** Can I move to Tony Juniper? He said that he has spoken to a lot of farmers about how enthusiastic they are about environmental schemes. I am sure they are, but are they also raising the issue of farm finances being hit in terms of cashflow in the transition and thereafter, at a time when they are under great pressure from cut exports and the Australians about to bring in a lot of cheap imports?

Dr Juniper: I get a sense from many of the farmers I speak to that this is a time of great change and uncertainty, some of it coming from withdrawal from the European Union, the subsequent negotiation of new trade deals, the shift in domestic policy from the common agricultural policy to the framework that we are talking about today, and, even on top of that, the changes in the market, with big questions now about the future of livestock as the profile of meat is raised in different ways.

There is a great deal of pressure on the farming community and a great deal of anxiety flowing from that, for which I have enormous sympathy. I would hope that Natural England, working alongside other agencies and with DEFRA, can navigate a pathway forward that can bring in this environmental dimension to help businesses not only survive but thrive in the future as we find ways of shifting the old subsidies into payments for environmental services, which is the intent of the new policy.

- Q196 **Geraint Davies:** Should the Government, in essence, guarantee that farm income is sustained during the transition?

Dr Juniper: That is a question for the Minister.

Chair: Geraint, you have had some good answers. Park it there, and have a go at George in a minute.

- Q197 **Robbie Moore:** Before I start, I refer the Committee to my entry on the Register of Members' Interests, if that is okay. Following on from the Chair's question, my question is to do with the sharing of experience with the Department. You all have experience in delivering previous farming and environmental schemes. What advice have you given DEFRA about how this one, ELMS, will work better? Is DEFRA listening? Tony, I will maybe come to you first, if that is okay?

Dr Juniper: Robbie, if you will forgive me, I will pass on to Rob, who has been much closer to how we have been feeding in the experiences that we have derived over many, many years. Rob, do you have a summary that you might share?

Rob Cooke: Yes, of course. Let me come to the second part first. You asked, "Is DEFRA listening?" Yes, it is. We are working together with the RPA and with the Environmental Agency, the Forestry Commission and others within the wider future farming programme. It is a collaborative effort here.



HOUSE OF COMMONS

One of the lessons we have learned from our long involvement in schemes is about the importance of advice in the delivery of environmental outcomes. That has been key, and we have lots of evidence to support that. I alluded earlier to the worries about deadweight payments in previous schemes. Schemes need to be flexible so that they can respond to changing circumstances in a way that continues to deliver environmental outcomes. That is important. They need to be simple to administer and simple to run, and they need to be targeted, so tailored to meet particular outcomes in particular geographies.

Our experience suggests that that is a much better way of delivering specific environmental outcomes. It is a mix of those targeted schemes as well as the farm-scale sustainable farming incentive scheme.

Q198 Robbie Moore: When we moved from environmental stewardship schemes to countryside stewardship schemes, I suspect there was a lot of learning that was delivered to DEFRA at that point. Yet we saw countryside stewardship schemes become much more complex and the take-up was far less. I assume that you are again giving the learning to DEFRA. Are we going to get an ELM delivery that is much simpler where take-up will be stronger?

Rob Cooke: The take-up for countryside stewardship was less than for environmental stewardship, but part of that was designedly so. That was a deliberate choice. The advice that we are giving certainly takes account of what has worked well in environmental stewardship and what has worked well in countryside stewardship, and also what did not work well. I am optimistic that it will have high rates of take-up. We need those high rates of take-up, if the schemes overall are going to deliver environmental outcomes. It is part and parcel of our advice, yes.

Q199 Robbie Moore: Do you think policy decisions about ELM are being made with an understanding of what it means to administer them in terms of getting them delivered?

Rob Cooke: Yes, I do.

Robbie Moore: Paul, I have the same questions for you.

Paul Caldwell: The learning, as posed, has already started. It is probably worth us reflecting on the last few years. There is a tendency to categorise a thing and the headline then persists, but it is worth noting for the record that countryside stewardship now has around 28,000 people in agreements on top of 11,000 people who are in higher-level agreements through environmental stewardship. That is nearly 40,000 agreements that are out there. We have seen a significant ramp-up over the period since we first convened in front of this Committee to say what went wrong.

We have implemented many things, including simplification and the removal of prescription, because, to Tony Juniper's point, prescription is



HOUSE OF COMMONS

what drives administrative burden and a lack of discretion. Not only have we seen an increase in take-up but this year, since we have left the agreement that we had with the EU, we have been able to move to a different inspection arrangement, for example, that allows greater proportionality and allows us the flexibility to issue warning letters and to get Natural England involved, if we need some advice, and to work with it.

All those things, coupled with the need to develop something that is scalable and evolving it rather than having a big bang, are lessons that we have started to learn and will continue to learn. There is still a lot to do, I know. We have been working with the Department on those. That includes making sure that a policy's design does not constrain the ability to deliver it. The blended approach that I spoke about before is also quite important.

One of the lessons for me from past Administrations has been not to lock on to an almost pantomime status—"Oh, no, it isn't"; "Oh, yes, it is"—and to pit agencies' performances against one another, instead of utilising the skillsets that both sets of agencies and, indeed, the whole DEFRA group have in order to solve the problem. That is where we are moving.

Q200 Robbie Moore: A big frustration that is communicated to me quite regularly is that you effectively have Natural England on the ground in that advisory role, and then the Rural Payments Agency dealing with the distribution of payments and penalties or enforcement, if you like, alongside Natural England. Therefore, there is a lack of joined-up thinking and delays to payments getting delivered.

As we go into ELMS, how can we get reassurance from the RPA and from Natural England that there will absolutely be a seamless approach? How can farmers or landowners who have a contractual relationship with Natural England, the Rural Payments Agency or whoever it may be, be reassured that they will be getting their payments on time, but also that they will be getting a slimline process, with as much red tape as possible removed from the application process and when they are applying for capital funding and so on throughout the life of the scheme?

Paul Caldwell: That is exactly what I have alluded to in terms of the reference to this binary approach rather than a complementary one. I am advocating that we have a complementary approach in which the various skills are put together.

It is worth noting, for example, that there is real value in advisers on the ground when used in the right way. If we were to deploy an adviser for every BPS applicant, for example, to get them into an agri-environment scheme, it would take something like 7,000 years to administer, or it would take 1,000 people 700 years, depending on how you look at it. That clearly is not practicable. What you want is an offer in which the value is added and then we deploy it, and, where the proposition is straightforward, we are able to do so.



HOUSE OF COMMONS

We have removed a lot of the considerations. As we are able to put these things through domestic legislation, we will remove a lot more. That is where the programme is going. We were charged doubly with administering the scheme promptly and in accordance with its objectives, but do not forget that we had the drag anchor of disallowance on us. For the record, we think that in the last five years we have avoided about £1.1 billion worth of disallowance, which is a not insignificant sum that ought to be reinvested in the environment rather than being handed over to the commission.

The lesson for us going forward is not to be dogmatic about it, to be flexible in our approach, to tailor the offer by having different facets to it that suit different types of farming, different sectors and different landowners, and to learn from those lessons that we have had in pursuing the success that we have realised, but to take it to the next level by not getting hung up on the things that we have had to in the past.

Dr Juniper: I want to come in on the point about DEFRA delivery across the wider group and how we might in the future pursue some of these really big aims that Government have set out for nature recovery and net zero, including in landscapes, through there being more joined-up approaches between not only us, the RPA and Natural England, but also the Forestry Commission and the Environment Agency.

If you think about this in terms of those big goals and how we are going to need to bring together all these different policy tools and agencies, it is only going to work if it happens in particular landscapes, working with particular landowners at scale in particular catchments, for example. This is going to require some thinking through of how we can do this in a more effective way. The ALB discussion that is going on in DEFRA right now in terms of future delivery and how we can do better is looking at how we might be able to get closer together in order to implement a single plan, effectively, rather than having four agencies with four slightly separate or, in the worst case, conflicting agendas.

That is work in progress, but there is a lot of potential there, from what I have seen, to drive towards these big national goals through more integrated action together on the ground in particular landscapes.

Q201 **Robbie Moore:** Another frustration that is coming across loud and clear to me is the lack of trust in the organisations of both the RPA and Natural England from landowners and farmers on the ground. I was at the Yorkshire show last week and this was reaffirmed to me there.

How are you going to get across this trust issue and provide reassurance to farmers and landowners that, as two organisations that sit within the DEFRA umbrella, you will be able to deliver schemes efficiently and on time?

Chair: Can I add to that? To the point Tony Juniper was making, how can



HOUSE OF COMMONS

you both work together so that you are not competing with each other on delivery but you are joined together? It flows very well off the tongue, but, in reality, are you going to work together? We will bring Paul in first on the points that Robbie has made as well, please.

Paul Caldwell: I will deal with that very briefly. Yes, we will. In the relationship that Marian Spain and I have forged, and the relationships that Rob and I have on the programme, that progression is well advanced.

If I segue that, though, to the question of trust, the only way we can gain trust is by doing what we say we will do and proving it in the way that we do it. It is not enough that we look at improvements to date. There are also the things that people are frustrated by. I have mentioned the disallowance point, and the reason why that is significant is that sometimes that works against the advice we may receive. From a farmer's point of view, it is particularly galling when an adviser says one thing and then they are not actually allowed by the rules to do it and we have to deliver that news in terms of pointing out the small print. We will be free of that now. The programme is certainly free of that mindset. We have a real opportunity to make this a significantly better experience. It is incumbent on us all to seize that opportunity.

The final point I would make is that I have made lots of statements and commitments to this Committee, and we have made good on them all. It is now time for us to work with Tony's team and others to make good on the rest.

Chair: You will be held to account, Paul—do not worry—but you have delivered.

Dr Juniper: Paul's remarks about the improved performance of the RPA on countryside stewardship are good evidence of us working more effectively together as we go along. I know that Marian and Paul have developed a very good relationship, and that is also mirrored by the kind of collaboration that is discussed between us, the Forestry Commission and the Environment Agency. We are making progress on that.

Hopefully, as the policy moves to the phase of delivery, we can solve that trust question by having something that is more user-friendly. That is the hope, building on the experiences of these schemes over some years. As I said at the very beginning, if we can pull in what we have learned from previous agri-environment delivery, we can hopefully go more quickly into a period of effective delivery of the new scheme.

Q202 **Chair:** Can I pick you up, Tony, on that last statement? What specifically have you learned from doing things differently in all the pilots you are doing and all the discussions you are having? What are you actually learning that is making it less bureaucratic and easier to use?

Dr Juniper: There are all sorts of things. One piece of work that has really struck me as an example of what we might want to pursue in the



future is investigating how we might go towards a scheme that is more based on payment by results. This would mean inviting landowners, farmers and collaborators to think about what they can do to achieve more wildflowers, more pollinators, more breeding waders, rather than focusing solely on very specific prescriptions that may or may not deliver environmental outcomes.

The thing that has really struck me about that is not only how we might get more value for public money by pursuing outcomes rather than procedures and actions; it is the extent to which this has led to much more motivated and engaged landowners. I met some in the Yorkshire Dales who had been invited to maximise the wildflower density in their meadows. They had learned a great deal about botany, identification and the management of their land in a way that would not have occurred had they just been told to mow it on a particular day at the end of spring and to see what happened.

We are learning from that, in terms of not only the environmental outcomes but some of the softer social dimensions that are really important to get people engaged and wanting to be a part of all this. We have learned about that. We have learned something about value for money over the years and the extent to which, as Rob said, we want to avoid deadweight and really be rewarding people for doing the right things.

The other thing—Rob and I both said this—is the overwhelming value of good advice. I would say it is about not only advice but facilitation and being able to work with the people who are managing the land, in order to give them that assurance that they are doing the right thing through having someone to talk to who knows their patch and with whom they have worked, hopefully, over a period of time.

Q203 Chair: Thank you, Tony. I really understand what you are doing. You are getting out there and reaching out. If you are to get trust, if farmers can see what they are doing and how it is building on nature, they will be much more enthusiastic. Rob, be very quick, please, because I am determined to get the Secretary of State in on time.

Rob Cooke: Very quickly, building on Tony's example and your question about how we might build trust and save on scheme administration, one thing we have learned from the payment-by-results piloting is that, when we have asked the farmers to self-assess their schemes and subsequently tested it, we have found them to be very accurate in assessing what they have delivered. If anything, they have under-assessed their own performance. That is an example that we might use and roll out much more widely.

Chair: That sounds very interesting, actually. I would be interested to see how that works out. Neil, can you keep the last question to about 10 minutes, please? Then we will have time for the Secretary of State.



Q204 **Dr Hudson:** This will be directed towards Paul at the RPA. We have touched on some of the payments issues, but there are well-documented and well-rehearsed issues with the RPA's payment and mapping systems. DEFRA has said that the SFI pilot will use the existing systems, but will they be able to cope with the wider SFI next year?

Paul Caldwell: There are two things that I would point out. First, I have said here many times that any system is only as good as the policy that drives it. I want to echo Tony Juniper's point about prescription. Prescription drives some of the problems that we have had. If you say that a hedge has to be 3 metres wide, it might be 3 metres, 3.2 metres or 2.8 metres. You then get into the whole discussion about whether you should measure it, whether you should ignore it, what you are doing to check it and what the point of having the rule is if you are not going to check it.

That is the sort of lesson we should learn, to ditch prescription from the policy requirement, which in turn means that your computer requirements are a lot simpler and more straightforward. We have used an evolution of the current system for the pilot. It is familiar to people. So far, based on the anecdotes we have had, it has been very good. In fact, one senior stakeholder told me that they thought it was too simple. There is a reason for that; it is because they were surprised. They were expecting to plan out what they wanted to do with their farm first and then apply. That is an important culture shift that we need to move to.

Clearly, we have demonstrated that the system, via the pilot, can work, so there is a solution there. It might not be the solution. There is work to do to demonstrate whether or not that is scalable. The programme is engaged in a discovery phase to see whether other alternatives are preferable.

Q205 **Dr Hudson:** You have said that it has worked in the pilot. Are you confident that it will be able to cope with the wider rollout?

Paul Caldwell: I would go back to my previous answer. It is working perfectly well for 85,000 BPS applicants and nearly 40,000 agri-environment agreements. Technically, that is incorrect; 11,000 are on a different system. It can work within the policy constraints in which we operate.

The mapping solution, for example, is a standard geospatial solution. That is actually world class. The data that comes into it is from Ordnance Survey, which everyone would recognise has the foremost experts in the field. The question, then, is what you do with it and how you interpret it. That is where the real deliberations start.

Q206 **Dr Hudson:** Can you give some comfort to landowners and farmers? Can you detail what progress has been made to make your systems fit for purpose, and the IT systems specifically?



HOUSE OF COMMONS

Paul Caldwell: One of the mistakes of the past, going back to the learning point, was the big bang approach. I have talked about an evolutionary approach here. In other words, be evolutionary with your delivery and radical with your policy; do not be radical with your delivery and evolutionary with your policy.

The programme is taking that “steady as she goes” approach. The fact that we are using the system in order to deliver the measures that are being described in stages, and allowing people to move from one agreement to another when they are ready, avoids that big sales rush on a particular date and all the attendant problems that brings.

Q207 **Dr Hudson:** To reiterate the point Robbie was making about the concerns on the frontline, can you assure the end users, the farmers and landowners, that we are not going to have “computer says no” issues with the IT systems?

Paul Caldwell: That certainly is the intention. Without labouring the point—

Dr Hudson: I am labouring the question.

Paul Caldwell: Without me labouring the answer, we are not in a similar situation. We are not going to flip a switch in 2022, only for people to find that they do not have a scheme to be in. We will move people to the scheme when we are good and ready to move to the scheme.

Q208 **Robbie Moore:** I just want to pose a scenario that I came across when I was previously working in my last role as a rural surveyor. The RPA regularly undertakes the remapping of farms, which results in farm fields being given slightly different sizes. When a farmer is expected to have a field that is down to four decimal places, and then a remapping exercise is undertaken and therefore there is a slight change to the field size, that results in a change to the amount of money that the individual is receiving. I remember acting on behalf of a client where their annual payment was adjusted quite significantly, because things like woodland were remapped.

Can we have your reassurance that these types of scenarios are not going to happen again? It creates a lot of uncertainty for farmers and landowners etc, but it also just creates another headache, another delay in payments being released, a lack of certainty and an increase in frustration, and it builds into this trust issue that I was talking about earlier. How are you going to prevent these issues from arising again?

Paul Caldwell: On a technicality, it is not my programme to assure you about, but I am sure Janet Hughes will be pleased to give the assurance, and I will give the assurance that it is nobody’s intention to use the minutiae of measurement that we have. There is no intention to use four decimal places.



I sympathise and empathise, to the degree that I can, with all the things that you have said. That is exactly what we want to move away from. That goes back to the very first question about the learnings that we can pass on to the Department. Do not design it in a way that you have to measure in such an onerous fashion in the first place; do not make that a feature of your scheme. I am pretty sure the Department has listened to that; I am pretty sure that the Secretary of State is of exactly the same mind. That is about as much assurance as I can give you.

Q209 **Chair:** I just have one final question to you, Paul. The existing system that you use is an Italian system that is designed for developing and delivering the basic farm payment. It has been working on the stewardship scheme. Are you confident going forward that both the mapping system and this system will cope or are you going to move away from it? If you do, can we expect the chaos that we have had several times—not because of you—every time we have tried to change a system? Where are we on this actual package? I forget the name of the company that delivers it, but I know it is Italian.

Paul Caldwell: I am not quite sure of the significance of the nationality.

Chair: No, I am not making any point about that. It is a package that we buy in, isn't it?

Paul Caldwell: It is an off-the-shelf package. It is designed to work geospatially in order to minimise the disallowance that I spoke about earlier. In that regard, how can I be sure that it can deliver what we need in the future? That is not necessarily what I am here to assure you of. I am here to assure you that we will take an evolutionary approach to delivery.

We will not be, as you have described it, launching from one package to another. The work we are doing with the Department is to evaluate the best system or blend of systems to use, and the safest transition route to using them. That includes what we have now as well as other options.

Chair: That is as good an answer as I am going to get from you on that one this afternoon. I understand. Can I thank the three of you very much for giving us some good evidence? You have put on record some great pledges. It is going to be simplified; it is going to be delivered on time; and it is all going to be wonderful in the future.

I am looking forward, when you come back, to either congratulating you or taking you apart if you have not delivered it. Thank you for being open with us this afternoon and for your evidence. Paul, thank you for the work the Rural Payments Agency has done on both delivering the basic farm payment and delivering the stewardship schemes. That will start to build up trust with farmers, if we can get it delivered on time. I appreciate the work that you have all done on that, along with Natural England supplying the information for that to happen.



With that, I will ask you to depart. We have the Secretary of State here with us for the next session. Thank you all very much.

Examination of witnesses

Witnesses: George Eustice MP and Janet Hughes.

Q210 **Chair:** We are spot on time for once. Whether we will be spot on time for finishing, Secretary of State, I do not know, but we will try to keep up the good work. I welcome both the Rt Hon George Eustice MP, Secretary of State for Environment, Food and Rural Affairs, and Janet Hughes, future farming and countryside programme director. I do not know whether you want to say a few words of introduction; then we will fire into questions.

George Eustice: Yes, just very briefly, because I am sure a lot of this will come out in questions. I know you have heard from the RPA and Natural England as well about the development of the future farming policy.

As members of the Committee will know, we are having a seven-year agricultural transition period. We want it to be an evolution, not a revolution. That means we will be rolling out some components of it as early as next year through the sustainable farming incentive, with a series of offers, starting first and foremost with soil health, because that is something that all farmers understand and it is crucial to things like biodiversity, water quality and carbon emissions.

We will then be building on it incrementally year after year until we get to 2024. At that point, the intention is to de-link the remainder of the BPS payments based on a reference period and to roll out the final version of the environmental land management scheme.

Chair: Janet, would you like to say a few words for the record?

Janet Hughes: I will just introduce myself. My name is Janet Hughes. I am the programme director for the future farming and countryside programme, which is the programme that is doing everything to phase out the common agricultural policy and bring in new arrangements in England. I am the person responsible for delivering this reform programme over the next seven years, working alongside my colleagues and delivery partners, to whom you have just been talking, and others.

Q211 **Chair:** Thank you very much for joining the Secretary of State, because you have been doing a lot of work on the detail of this. We are happy for you to join the Secretary of State.

Secretary of State, what sort of modelling have you done across DEFRA to see the effect of the BPS being phased out and the new payments coming in? At the moment, many farms rely perhaps too much on the basic farm payment for their viability. To what extent have you done any modelling to see how many people would be very adversely affected by



HOUSE OF COMMONS

the rollout of the new ELMS system and how many may unfortunately go out of business? Has any modelling been done?

George Eustice: Yes. I may ask Janet to come in, but we published a paper in 2018. The DEFRA economics department did some work looking at those sectors that were most reliant on the BPS and the impacts of unravelling that.

We are doing some further work revisiting that at the moment, because we need to understand better, if you remove what is essentially a subsidy on land ownership or land tenure, what that does to land rents. There is quite a bit of evidence that roughly 50% of the BPS payment disappeared in inflated land rents, so you would expect that, once you pay that out on a different basis, you might get land rents adjusting down, so a reduction in some of those input costs. It is also the case that it sometimes masks the true value of food, in that it enables farmers at the bottom of the cycle to produce food at an under-value. That would be harder, if there was not a subsidy there that they could rely on.

There is another thing that we need to understand about these new payments. We have already been clear that the quid pro quo for getting rid of an arbitrary area-based subsidy payment, with all the problems that has created, is that, when we pay farmers for management of the environmental assets to do the things we want them to do, we must not begrudge them a margin in it. We are starting to depart from income forgone on some of these measures, so there is more of a profit margin for the things that we want the farmers to do.

Q212 **Chair:** Something like 40% of farmers, if not more, are highly reliant on the basic farm payment. A lot of those would be smaller farmers. We have had the Prince of Wales say on Radio 4 that he is very concerned that our policies will lead to many small farmers leaving the industry. What do you say to Prince Charles and us on the EFRA Select Committee this afternoon? Will we be able to see most of those farmers survive, or is it the policy that only the fittest will survive?

George Eustice: A lot of work has been done, both by us in DEFRA and publicly available work done by companies like AB Agri, that shows quite clearly that, in all sectors, scale is not necessarily what makes for a proficient and profitable farm business.

The thing about farming is that so much of it comes down to attention to detail and technical proficiency. Often, a smaller family-run enterprise can deliver that better than a very large company with all the difficulties of managing those large enterprises. The evidence is that, when you look at farm productivity, there is quite a big range between the best performers and the worst performers, if I can put it that way, but there is no correlation between that and size of holding. It is a really interesting piece of work. There will be an important place for those small farms.



HOUSE OF COMMONS

We should also recognise that, under the old EU system, if you look at a heat map, the vast majority of the money went to the largest landowners. Something like 10% of the landowners had more than a quarter of the—

Q213 **Chair:** Yes, I understand that. That argument has been made many times. Your new policies do not really show any signs of helping smaller farms particularly. Is the Prince of Wales wrong in his assumption that more small farmers will go out of business? You have said that you have done some modelling, but you have not really told us what that modelling actually says.

George Eustice: We can share the paper that we published in 2018.

Q214 **Chair:** We are now in 2021. We are now well behind in the delivery of changes. Are you not going back to see what the situation is now?

George Eustice: We are refreshing that in particular to look at the likely impacts on things like land rents, which will come down once you unravel that—

Q215 **Chair:** There is no sign of rents coming down at the moment. In fact, I would suggest that they are going in reverse. If we look at the 2018 report, I suspect it was suggesting that rents might be starting to come down by now, but that is not the case, is it?

George Eustice: We do need to revisit this piece of work. Farming has enjoyed several very good years. As we came out of the European Union, sterling depreciated against the euro. That was a big boost to farm incomes. The profitability of sectors like beef and sheep is the best it has been for many years. While it has been a more challenging time for the arable sector, it is the case that the demand for land remains high, and that is because the agriculture sector is currently in fine fettle.

Q216 **Chair:** I had better get back to my actual question, which I have in front of me. With all the disruption of the last few years, why did you reject the calls to delay the agricultural transition and give the sector more time to prepare? We are now right into the first year of transition, and we have a clear timetable for how we are going to reduce payments. We are starting to see how the sustainable farming incentive is going to replace it. Are farmers going to be in a place where they will be able to sustain their farming?

George Eustice: We decided not to put it off. If you make a big decision, as we did as a country to leave the European Union, you should make use of the freedoms that gives you. It would be slightly odd to leave the European Union and then delay the change to policy. The common agricultural policy has never been particularly well designed, in trying to work for 28 or now 27 different countries. You might as well crack on with the process of change.



HOUSE OF COMMONS

We were clear that we would start the transition in this year. We decided to stick to that plan. If you want an evolution rather than a revolution, that is what you should do: make incremental changes year to year.

Q217 **Chair:** We have heard that the transition risks being haphazard and that the various schemes you are announcing could just lead to confusion. Are there any circumstances in which you would accept a need for the transition to be slowed down or are you going to get all your systems out smoothly? Perhaps I will bring Janet in, and then I will bring you back, Secretary of State, to finish off with the political perspective.

Janet, in terms of the actual delivery—we have been talking to the RPA and Natural England before, and you were listening to a lot of that—are DEFRA and the whole team of organisations confident that your new system will come in seamlessly, that everybody will be paid on time and that everybody will be in a very good position? Where do you see it?

Janet Hughes: I am confident, and the reason I am confident is that we are not taking a big bang approach to implementing these changes. That is the sort of approach that is very risky and that we have seen has failed in the past, both in DEFRA and in other parts of Government.

Instead, we are taking an incremental test-and-learn approach. We introduce a change; we see how it goes; we learn from that; and then we introduce the next stage. If we need to adjust our plan at any stage to make sure it is going to work, we will. We have already been doing that as we have gone along. For example, thinking about the delivery of the sustainable farming incentive next year, we are looking at a blended approach where we use the best of what our current systems have, we make minor adjustments to them and then gradually, over time, we make improvements, so there will not be a moment at which we press a big button and bang goes the new release.

The other aspect that gives me confidence is that, as you have just heard from RPA and NE colleagues, we are working very closely and collaboratively across all the partner organisations here and learning from the past, knowing that one issue that has not worked well in the past is that set of working relationships. We all invest a lot of time in each other and in the relationships there, making sure that everybody is confident before we take a step forward.

The third reason is that we take this co-design approach. Of course we get critical feedback about that, and we learn and improve as we go, but we do find that working closely with experts, membership organisations and farmers helps us understand much earlier than we would otherwise do what is likely to go wrong and correct our course before it goes wrong at large scale. We are trying to fail small and fast, rather than large, expensive and damaging.



HOUSE OF COMMONS

For all those reasons, I would say we are confident. Like any delivery programme, there are risks. It is part of my role and my colleagues' role to manage those risks as we go along.

Q218 Chair: Secretary of State, in your answer you quite rightly said that, at the moment, we are seeing quite good prices across the board in agriculture. It is always dangerous to say that, because they will immediately fall when you say it. In a way, that is cushioning any problems there may or may not be in this transitional period, so I agree with the evolutionary process.

If we saw a real decline in prices, would you reconsider your position on maintaining the basic farm payment for longer? For all its faults, the one thing that the basic farm payment does is get a payment to a farmer in good time, now, and on time. With the smaller farms, the cash flow is very often essential. Is there any time, with the economic situation changing, with trade deals and others, that you could foresee reconsidering your position?

George Eustice: Clearly, that is not part of our plan, but the Agriculture Bill makes explicit provision for us to be able to delay and extend the transition period, should a Government of the day think that is the right thing to do. It would be very difficult to stand it up again once we pass the point at which we de-link those payments from the land, but it would be an option, if we wanted to.

Think about the circumstances in which there might be calls to do it. Let us say, for instance, there were a serious downturn in the dairy market again. Would you, at that point, reinstate a single farm payment for all farmers or would it be more sensible to do a bespoke scheme targeted at dairy? It would probably be the latter. If there were a major crisis weather event that caused widespread damage to the arable sector, you probably would not reach for the tool that says "single farm payment". You would probably instead do some other kind of intervention, using the intervention powers that are in the Agriculture Act precisely for that reason.

Q219 Chair: On the small farm question that I posed to you at the beginning, do you see any specific measures that you might bring in targeted at smaller farmers? Do you not see a role for Government to involve themselves in the size of farms?

George Eustice: Absolutely, it is an area that we are looking at. First, in terms of the reductions we made to the BPS payment this year, in the current year we are in, we made a 5% reduction for smaller farms, those up to roughly 300 acres, and we then had progressively higher reductions for larger landowners. That is already recognised; we have protected those smaller farms.

Secondly, later this year we will be saying more about a package of measures to support new entrants. We have already announced a voluntary exit scheme to support farmers who want to step back and



retire with dignity. Linked to that, we will have a scheme to revitalise the county farm model and work with other landowners to create opportunities for new entrants.

Q220 Chair: Just before we leave that, on the retirement scheme, you have a cap at the top. The maximum payment is £100,000. If you are a smaller farmer, perhaps getting £10,000 a year in basic farm payment, you get £24,000 from this scheme. If you are going to have a cap on the highest amount, would it not be a good idea to have a minimum of £50,000 or something like that? I honestly do not see that £24,000 is going to take many farmers into retirement one way or the other, or not in great comfort, dare I say it.

George Eustice: We pitched it really so that a larger family farm of, say, 400 acres—that is a fairly large farm, where they would have quite a lot of other assets around as well—could receive £100,000. As for the reason why we put the cap in place, to be honest, would I want the problem of James Dyson deciding to quit farming after all and have a payment of many millions of pounds? We would probably want to avoid that.

Q221 Chair: I am not arguing about your maximum cap. If you are going to cap the top end, would it not be quite a good idea to give a little bit more help to those smaller ones? They may be smaller tenant farmers or others, who might need to get out with dignity, and £24,000 probably is not going to get them very far.

George Eustice: No, but we based it on what they would have received, had they continued to stay and claim until the end of the transition period. There is logic to that. It is important to recognise as well that the purpose of this scheme is not to drive people out; it is not to say, “We want you small farmers out”. It is to help support that choice, where it is the right choice for them. Sometimes it is a difficult decision to quit farming. It is your home; you maybe have a herd of cattle that you have invested your life in. It is not always an easy decision to confront. By having a window where a scheme like this is available, we just hope that it might encourage some of those to think about it and to face that decision when they otherwise might have continued to delay it.

Chair: I will park that one there. Geraint, I have to offer a humble apology to you for stealing half your question at least here. You usually steal everybody else’s, so I have taken this occasion to steal yours. I do apologise. I am sure you will make quite a lot of the question, nonetheless.

Q222 Geraint Davies: I am more the Robin Hood, I think, Chair. Secretary of State, it is good to see you again. We have mentioned the problems for small farmers. The Chair mentioned that 40% of small farmers are reliant on direct payments. DEFRA has said, as you have essentially confirmed, that some farmers will go out of business. How many farmers will go out of business because of the withdrawal of these payments?



George Eustice: In my view, you really cannot look at it in such a static way. When you withdraw the BPS scheme, you will have some of those costs unwinding on things like land rents; businesses will make different choices about the crops that they are growing, potentially; crucially, the unknown factor is that those who embrace the new schemes, the environmental land management schemes, will be able to benefit from those new schemes. There will be a profit margin within those schemes.

It is very difficult to look at this in a static way and say, "We are taking away the BPS, and ergo that has these consequences". We know who will lose what amount of money, but what we cannot tell at the moment is the extent to which they will choose to get back into the other schemes.

Q223 **Geraint Davies:** On the theme of losing the money, there is a concern that the direct payments will be removed before people have the benefit of the environmental land management payments, and that those environmental land management payments will be less than the original payments. Can you not put in a process of phasing-in to protect cash flow, in particular as we face problems with EU exports, so that the direct payments are kept up until people can bed into the environmental payments?

George Eustice: It is absolutely the case that the total cash amount that we are spending on agriculture policy is going to stay the same through this Parliament. In each year, we have been clear that, as we remove money by winding down the BPS payments, we will simultaneously open schemes for farmers to go into.

If you look at next year, we are taking a 15% reduction in the BPS payment. That equates to approximately £30 to £35 per hectare. We are simultaneously opening a scheme called the sustainable farming incentive focused on soil health that is universally open to all farmers at different levels, and the payment rates range from £24 per hectare to £70 per hectare. Those who embrace that soil health scheme at the highest level of ambition will have more money than they did under the BPS scheme, but of course we will also be asking them to do a bit more for it.

Q224 **Geraint Davies:** Is it possible that there might be more farms at the time you are withdrawing the subsidy because of these environmental schemes? Is it the case that people are worried about EU exports and Australian competition as well, and that they might, on balance, leave the market?

George Eustice: We do not know yet what uptake we will have on something like the exit scheme. It is one of those schemes that you can only really do at a moment like now, when we are in a transition from an old scheme to a new one. We have the opportunity to have that voluntary exit scheme. Farmers who choose to exit will have a lot of considerations: whether they have children or family who want to take on the business, the farm's profitability, their age, whether they were thinking of retiring



anyway or whether they want a change in direction in life. There will be lots and lots of factors that will influence that decision.

Q225 Geraint Davies: Looking at the Australian deal, which will bring in much more competition, is there a danger at the moment that this will drive people towards more intensive farming? What would be the environmental impact of that, given that you are withdrawing some payments and they face competition and problems with exports? Is the answer intensification and what is the environmental impact?

George Eustice: For two sectors that are more sensitive, beef and sheep, we have effectively secured protection for 15 years, with a gradually rising TRQ—tariff rate quota—until year 10 and then a very strict volume trigger safeguard for a further five years. In most of the other sectors, either Australia cannot compete with us at all or we are already globally competitive. In sectors like pigs and poultry, they cannot compete. In sectors like cereals and dairy, they are not as competitive as we are anyway. We think that we have sufficient protection on the two sectors that are most sensitive, with a gradual change. Of course, lots can happen in 15 years.

Q226 Geraint Davies: We have the animal sentience Bill coming in, and that legislation is meant to consider animal sentience and cruelty. Yet, in the Australian deal, we have a situation where sheep will have their backsides sheared off in a cruel way to stop flystrike. How can we stop that happening? Is it the case that these treaties trump domestic law and there is nothing the animal sentience Bill can do to stop this cruel practice?

George Eustice: The animal sentience Bill would not be the right place for that, because it is essentially about establishing an advisory and scrutiny committee on these matters. What we do have in principle in the agreement with Australia is a chapter on animal welfare and a commitment to work together on that. The UK will certainly be pressing very hard for Australia to modernise its laws in this area.

New Zealand changed its law and legislated to prevent the practice of mulesing in 2018. It did so, incidentally, partly because of consumer pressure from retailers in the United Kingdom, but it is quite possible that when Australia seeks to access the UK market it will find that retailers are demanding these changes, so it should probably just modernise its laws in this area.

Q227 Geraint Davies: This would be a voluntary thing. We cannot make them, can we?

George Eustice: There is a commitment to work with us on animal welfare issues in that trade agreement. We will certainly be encouraging them and doing all we can to get them to follow New Zealand's lead. In fact, New Zealand did make a change and brought itself in line with UK law.



Q228 **Geraint Davies:** Finally, I have heard reports of British Airways buying farms in Ceredigion, Wales, as a carbon offset, under a scheme that was meant to save the Amazon forest as opposed to buying up farms and putting small farmers out of business. Are you aware of that? Is it helpful for big companies to send more planes into the sky and buy existing farmers out of their business?

George Eustice: I am not aware of that individual case, but, if you wanted to send me details, I would be happy to look at it. I would only say that we see quite an opportunity for private green finance to support some of our tree-planting ambitions in particular, peatland restoration and some of those more ambitious components around land use change. We do see there being quite an important role for private money to deliver our ambitions in this space.

Q229 **Chair:** Before we leave that one, Secretary of State, do you see private payments for storing carbon as an add-on to or instead of payments made from ELMS and others? Do you see them as bolt-ons? Where do you see that coming? There could be substantial funds coming in that direction, perhaps much more substantial, dare I say it, than ELMS.

George Eustice: In the immediate short term, we have broadly divided future agricultural policy into three themes. There is the sustainable farming incentive that we are getting out, and that is all about in-year decisions to support more sustainable farming. There is local nature recovery, which will effectively become the successor to the countryside stewardship schemes, doing some of the work to create space for nature and habitats within the farm landscape. The third one is landscape recovery, which is much more around land use change, woodland creation and peatland restoration.

That third component lends itself well to being bolstered by green finance. In the first instance, we are using the nature for climate fund to do that work over the next few years, but there is a lot of potential to get green finance into that space in particular.

Q230 **Chair:** Yes, especially when it comes to forestry. If you are looking at a landowner or a farmer in cash flow terms, the one problem you have with planting trees is that the cash does not flow very much other than through a payment, and perhaps 40 years later there may be some real income. Do you see that as bolstering that situation? We are never going to get the levels of tree planting that you want with some of the present levels of payment in the schemes.

George Eustice: We are looking at a number of things. We have an expert group looking at green finance. A lot of it comes down to having integrity in the market and confidence in the market, so that big institutional investors feel there is regulatory stability for them to make those investments, not lose their money and, crucially, gain some kind of income. We are also looking at some of the issues in the tax system as well that might incentivise landowners to take those land use change



options. In the past, when we have had our highest rates of tree planting, it has largely been driven by having the right tax policy incentives.

Q231 Chair: Just before we leave this, in an answer to Geraint you said that the Australia deal had quotas in place. I think I am right in saying that we eat just under a million tonnes of beef a year. In that Australia deal, some of these things do not really kick in until 125,000 tonnes of Australian beef is imported. This is the first trade deal of many. We have given away 10%, if not more, of our trade in beef in one deal. It is a high-end market, I suspect mainly steaks, so probably with the profitability of another 100,000 tonnes of British beef.

Are you happy that we are giving away that much trade that quickly? You then have New Zealand and other countries to follow. Are you happy with that situation?

George Eustice: It can be quite difficult to predict exactly the impact of these things. We should bear in mind that New Zealand currently has a quota under the WTO schedule to send us about 115,000 tonnes of lamb a year. In recent years, it has only used about half of that. Even though the price of lamb is running at very high levels here in the UK, New Zealand is finding that it has alternative markets that are more attractive to it. It has been the case for many years now that they find they cannot really compete with British producers.

It may well be the case—it probably will be the case on lamb—that Australia will find the same. Its ability to access the British market is probably more limited than it might presume. On beef it could be a bit more challenging, but it is an unknown. It is difficult to predict. I think we will see a lot of retailer loyalty in particular to British beef, because for many of them part of their brand is around stocking British beef.

Q232 Chair: You are right as far as the retailers are concerned, but a lot of these steaks will land up in big restaurant chains, and we will have no idea what beef we are eating and where it has come from. I make this point that it is one of many agreements to come. We have given away potentially 10% or 15% of our high-end business. Are we going to do this with every trade deal that comes along?

Farming is not there as a scapegoat. We should not allow services to flourish while farming is thrown to the wall. I know that I have kept on about this, but I see no real sign of this Government doing much more than precisely that. I know the trade side of it is not your particular remit, but what representations are you making to the Secretary of State for Trade?

George Eustice: The Secretary of State for Trade and I talk regularly, as you can imagine. We have Cabinet sub-committees that deal with the detail of all these trade agreements. Mr Parish, you know how it works. We contribute to those Cabinet discussions in private and arrive at a consensus that we are all happy with, and I am happy to tell you what that consensus is. We believe that the protection we have in place for 15



HOUSE OF COMMONS

years probably gives us the protection that we need for those two sensitive sectors. In the others, we do not think we have much to fear from Australia.

Q233 Mrs Murray: Hello, Secretary of State. I would like to focus on engagement with stakeholders. A lot of stakeholders feel either that they have not been consulted or that DEFRA has not listened. It may not be the case, but that is the perception. Are you worried that this will affect confidence in any new schemes?

George Eustice: We have come quite a long way on this. It is the case that early on, when we announced the profile that we intended to pursue to wind down the BPS payments, some farmers felt that they were clear about the pace at which that would be removed but less clear about what we were putting in its place.

Last November, we published the agricultural transition plan document. That had huge amounts of detail about our emerging thinking. Since then, a number of farmers have said to me that when they hear their neighbours say things like, "We do not have any information", they say, "Read that document, because there is a lot of information in there".

We have subsequently announced the precise payment rates that we are going to have next year for the sustainable farming incentive. We have announced full details, which we are now consulting on, on the exit scheme. As time goes on, farmers are seeing more and more detail. I might ask Janet to come in on the point about engaging, because she mentioned this principle of co-design. I know it sounds like one of those Whitehall jargon words and people maybe brush past it, but it is quite a novel approach. We have set up quite a lot of detailed technical working groups that are going through this. Janet might say a bit more about that as to how we are engaging.

Janet Hughes: On the co-design in general, we are working with more than 3,000 farmers through more than 70 tests and trials, and we are feeding back what we learn from those tests and trials into the design of the new schemes. There are some examples of that. We are looking at the role of local convenors and facilitators to help farmers collaborate with each other and working with cluster groups like the Wensum farmers, the 23 Burns project and Buglife. We have learned a lot from that about what role there is for advisers and facilitators in the new schemes.

We have been looking at spatial prioritisation and how that might work in practice in the local nature recovery scheme. We have 13 different templates that have emerged for land management plans and we will now be looking at those and taking them into the sustainable farming incentive pilot. We have been looking at blended finance, again, with the Wensum farmers and others, and we have been looking at payment by results.



HOUSE OF COMMONS

All those tests and trials are feeding back into our learning and design of the schemes going forward. We also have a much wider programme of co-design and engagement for all the activities that we are involved in. We have many hundreds and even thousands of farmers who get involved in that. I have personally been involved in conversations with at least 3,000 farmers in the last eight months or so. We are doing a lot of engagement.

Can we improve the way that we feed back to people exactly how we have taken on board what they have said? Of course, we can. Can we do everything that everybody suggests? We probably cannot because we get lots of ideas through that co-design and engagement. There is inevitably some frustration when somebody says, "I had an idea and you have not taken it on. Why is that?" We can do better at explaining that, but we have to accept that we cannot do absolutely everything that absolutely everybody suggests.

It is also fair to say that, over the last year in particular, where we have not been able to be out and about as much as we would like, we have now recently, with lockdown restrictions being lifted, started going out to all the agricultural shows and going out on farm visits again. There really is no substitute for that in-person engagement. We have really missed that over the last several months. That will have contributed to some of the feelings that you have heard.

We are very committed to this principle of co-design and working with farmers. We always welcome more if they want to get involved. If any members of the Committee know people who are frustrated and would like to get involved, please pass on their details and we will be happy to welcome them.

Q234 Mrs Murray: Thank you very much, Janet. That was a really useful answer. I will certainly pass on your details to any farmers interested in south-east Cornwall. I will turn back to the Secretary of State for the final part of my question and look back at the November 2020 publication. The NFU called the November 2020 publication, a month before the transition started, "unacceptably short notice". What will be the implications of leaving communication about ELMS so late in the day? I know what you are doing moving forward. Janet has just outlined some of the work you are doing, but it would be quite useful to see if you have learned anything from that or what implications you think that delay will have.

George Eustice: On the reductions that we plan to do or are doing this year, which are, as I said, 5% for most farmers but then rising to 10% and 25% for the very large landowners, that was first announced in 2018. Therefore, it is not the case that it was sprung on people at the last minute. It was known about; it was published. What the NFU really meant with that is that it had hoped we might change our mind, with the election and all the issues that were happening at the end of the last Parliament. In the end, we chose not to change our mind. We thought it was more important to stick to the plan.



HOUSE OF COMMONS

I do not accept this caricature that it was not given notice. Also, because we have just published payment rates on the sustainable farming incentive for next year, and have already announced what we plan to do by way of a further reduction to BPS next year, that has already been done. In my conversations with the NFU, I think it feels much happier that it has a clearer picture of exactly what next year looks like. It has that now, so it will not be later. You will recall, Mrs Murray, that the end of the last Parliament was messy to say the least in many respects. We had an unexpected general election to try to sort out the mess that Parliament had got into.

Q235 Chair: Just before we leave this question, Secretary of State, you went to Groundswell, as did I and many others. This was a farmers show where you had herbal leys and minimal cultivations going on. It was run on a farm that was very commercial. How much can we replicate that across the country, so that farmers can have confidence to see the new systems being run, and that they are commercial and have environmental gain, but you can still farm as well? There are worries out there that we are going so environmental that you will not be able to farm. How do we roll that out a bit more?

George Eustice: It is a really interesting event and Paul Cherry, who hosts it, has done some very good work there. What is exciting is that it is obviously the beginning of quite a movement for a lot of farmers. This is not only organic farmers. In fact, probably only about 10% of those attending the event were organic. Farmers across the piece are starting to think a bit differently.

The things we are trying to incentivise through the sustainable farming incentive sit squarely with the types of things being pioneered there. These include herbal leys where you have less need for fertilisers and leguminous flowering mixes in the grassland, and minimum till and no tillage type systems that reduce your carbon emissions but, probably more importantly, improve the biodiversity in and health of your soil. Improvements in water quality follow that. Some of the work was there around companion crops that reduce your need for certain insecticides. There is a very exciting movement there that is very much anchored in science.

Q236 Chair: How can we roll that out more across the country, do you think?

George Eustice: It is through our new scheme, so the sustainable farming incentive in particular is going to be focusing on all of these. We have started this year on soil health options. A lot of them are looking at green cover, cover crops, for instance. We are also going to be having future schemes looking at companion crops and herbal leys to support and incentivise that further. We are even looking at options like agroforestry quite seriously.

Chair: I was very impressed with the amount of clover in the herbal ley. Of course, as it is a legume, it is putting nitrogen into the soil, so I think



HOUSE OF COMMONS

things like that calm farmers down, dare I say it, a little about some of these schemes, where they are worried about them.

Q237 Dr Hudson: Thank you, Secretary of State and Janet, for being before us today. I wanted now to move on to some of the specific objectives of ELM. Secretary of State, how dependent do you feel the Government's environmental ambitions are on getting ELM right?

George Eustice: The short answer is that they are very dependent. It is a big budget. It is over £3 billion for the UK but £2 billion for England. We will only hit the targets we set and move the dial on things like water quality and species abundance if we get significant changes right across the farmed landscape. The environment land management schemes that we are rolling out now are going to be pretty crucial to delivering that. They are the main tool in the box, particularly when it comes to water quality and biodiversity.

Q238 Dr Hudson: Thank you. That is helpful and leads me on to the next part of my question in terms of how you measure how everyone is doing in meeting those objectives. Yes, this is being developed, but at the moment there is not a huge amount of detail on specific measurable objectives in many of the areas that ELM might deliver. How can the general public have confidence at this stage that the public money that you will be spending will deliver them the public goods?

George Eustice: We are doing quite a bit of work on this. One of the principles we are adopting is that, rather than thinking about this in siloes, we should think about particular interventions that have multiple holistic benefits. An intervention like a herbal ley will be good for the health of the soil and good for biodiversity in the soil. It will lead to more invertebrates, which will, in turn, lead to more farmland birds and probably will lead to improved water quality. One intervention done significantly at scale could have multiple benefits. We are starting to look at what those keystone interventions are that have multiple benefits on many fronts.

Quite a lot of work has been done in recent decades with the previous environmental land management schemes, the ELS, countryside stewardship and even the wildlife improvement funds and so on that were around in the 1980s and 1990s. We have quite a body of work that has analysed the effects and what can be achieved with different types of intervention. That has been built up over the last 20 years in particular. We can draw on that to help inform the types of things that will deliver.

Then, of course, we will be setting these legally binding targets under the Environment Bill on things like water quality and species abundance. We are going to need to use ELM judiciously to make sure that we can deliver on that.

Q239 Dr Hudson: Thank you. That is very helpful. If I can draw you into one particular area of a public good, you have articulated on the public record



before how strongly you feel about animal health and welfare being a public good. Do you feel that there are specific objectives and outcomes that can be delivered upon through this? I know that there will be funding now for vets to come on to farms, take preventive measures and that side of things, and try to achieve high health status. That is an area where, if we are successful, that will have knock-on effects in terms of the whole environmental management, won't it?

George Eustice: Absolutely, and so we were very clear that animal welfare is a public good and that it is legitimate to use public money to support those objectives. We have a plan for an animal health and welfare pathway, where we want farmers to effectively sign up to accredited schemes to try to improve their overall stock management and the health of their herd. We are taking the first step on that next year, which is an annual health visit, so that we can try to get away from the situation we have now. Farmers call the vet only in extreme circumstances because they cannot afford the money, so they end up not really having that strategic advice from a vet but also often using it in a reactive way.

We want to, therefore, make available funds so that they can have an annual health visit, where a vet will think much more strategically about their herd of cattle or flock of chickens, give them advice on how they can manage down endemic diseases and give them, effectively, a blueprint to improve the health and welfare of their livestock. If we can do that, you will probably reduce your carbon emissions because you will have less wastage and less mortality. You will also, of course, enhance farm profitability and farm animal welfare.

Q240 **Dr Hudson:** As a vet, I find that very encouraging. I am going to shoehorn you back into the questions that the Chair was asking about how that impacts us in terms of international trade deals. We have all been talking a lot about animal health and welfare within that. As yet, none of us has seen the animal welfare chapter that will be coming into the Australian trade deal. Are you confident, with that animal welfare chapter, that we will be able to stipulate what types of products will not be acceptable in this country and that this will end up driving animal health and welfare standards up globally as well? Are you confident that that chapter will deliver what it says on the tin?

George Eustice: There are two slightly different things. There will be an SPS chapter that will look at issues such as treatments, hormones in beef, chlorine-washed chicken and all those types of issues where we have a clear legislative position in this country. The SPS chapter will reflect exactly what we require on all these fronts including MRLs on pesticides, for instance. The animal welfare chapter is slightly different. It is about co-operation and working together on shared challenges, so it is less a chapter where we would stipulate that sheep cannot come in if mulesing has been used. It is much more to support dialogue and co-operation.



Q241 **Dr Hudson:** All right, so it will not be able to delineate what practices and products are not acceptable and potentially excessive use of antimicrobials for instance. If I can have one final crack at this, you mentioned tariff rate quotas. The Chair intimated that the amounts of meat that are talked about are large. There are concerns within the farming communities, and certainly in my part of the world in Cumbria, about whether these safeguards will be safe enough for us. Can you confidently say that these safeguards will allow us to turn the tap down if the volume of, potentially, lamb, but, as you say, more likely beef, that comes in is too high to make sure that our British farmers are protected?

George Eustice: Yes, I am, in so far as the safeguard exists for 15 years. For the first 10 years, there will be a TRQ. That is a well-established way to manage volumes. That will be an envelope of volume expressed in tonnes that they would be able to sell us of different cuts of meat. That will be haggled over in the final details of this agreement. That is a very strict limitation.

The model of safeguard that we have for years 10 to 15 is what is called a special agricultural safeguard under WTO. It is a safeguard that DEFRA designed, so it is a model that we put forward. There is an automatic volume trigger. Once volumes exceed a reference period by a particular percentage, which I think we have set at around, from memory, 10%, there is an automatic swinging back in of tariffs on anything over and above that. The safeguard itself is robust, but, of course, it only lasts for 15 years. We judge that that is probably sufficient.

Q242 **Dr Hudson:** Will it be responsive enough that it can react if the levels are met or are these fixed levels unless we reach them? Can it be adapted live in the studio according to what is happening in the market setting?

George Eustice: There are alternative safeguard models that are based on market disruption. They are notoriously difficult to exercise in practice. They always sound like a good idea, but they are not as easy to use, so we have chosen to go for a different type of safeguard.

Q243 **Julian Sturdy:** Secretary of State, you have said that you want to reduce regulatory burdens on farmers. How will you avoid fraud and error in ELMS while ensuring that honest land managers are not unfairly penalised?

George Eustice: We have already taken a step in this current year to switch off quite a lot of bureaucracy in the legacy scheme. We switched off all the so-called greening rules, which did not achieve anything for the environment but led to all sorts of quite insane administrative processes. The three-crop rule has gone and the EFA, which did not achieve very much, has also gone. That means we have slashed the guidance for farmers on BPS, this year, from about 125 pages to, I think, under 60 pages, so it is a significant simplification of the schemes.

In terms of the new ones, we have systems in place already for countryside stewardship that enable us to do some oversight and



enforcement. The truth about these schemes is that, to make them work properly, you do have to have an element of trust and there needs to be a bond of trust between an adviser and the farmer. That is why, when we get to the full scheme by 2024, we would like to have something where an accredited farm adviser, who might work for a third-sector organisation like the Wildlife Trust or a be might trusted agronomist, would walk the farm with the farmer and help them put together a scheme that is right for them. Once that has the seal of approval from an accredited adviser, there is a presumption that it would be endorsed by DEFRA.

You would have to have some kind of oversight role, obviously, for the RPA or Natural England to check up on the accredited people that you had in place doing this. If you had that human touch again where there is an adviser who is available on the mobile phone to talk to the farmer, and who maybe visits the farm once or twice a year to get a sense of what it is doing, you start to get to something altogether more sensible than the crazy mapping-type scenario that we have had under the CAP. That is what we seek to get to. Janet may want to come in and add a bit more.

Janet Hughes: I am happy to add a bit on the more detailed design of the schemes, if that is helpful for members. There are a few things to say about that. The first is about the level of prescription in the schemes themselves, where have had a lot of feedback from farmers that the schemes are too prescriptive and that causes them to feel that they need to break the rules in order to do the right thing. That is the sort of error that we need to design out by allowing the right level of flexibility, but also giving enough clarity to people as to what they are supposed to be doing.

Secondly, we need to design out error. Some of the feedback we get from farmers is that the process is so bureaucratic and complicated that they worry about doing something wrong and being penalised for making an obvious and honest error. We have already amended the rules around countryside stewardship to broaden the category of things that are an obvious error to allow more discretion to deal with such things. We think we can go further than that in both existing schemes and new things to design error out of the process altogether.

The third aspect of this is what we do in order to control the schemes, and what we do when we do find an error or something that is not as it ought to be. Where it is fraud, obviously, that is a potential criminal matter and these two things need to be dealt with differently because we obviously have zero tolerance for fraud. When it comes to error, we need to take a more flexible, responsive approach and help farmers get back into compliance where that error has been made in good faith and not had a major impact.



We have already started making some changes to the way we manage cross-compliance and scheme compliance in existing schemes. We will be taking the learning from that into the new schemes, so farmers can be more confident that, if they do make an honest mistake, we are not going to come down on them like a ton of bricks in a disproportionate way, but also that, if somebody wilfully breaks the rules and causes damage, that will be appropriately enforced. We are learning from the existing schemes. We will take that into the design of the new schemes in order to design out error as much as possible and respond more appropriately when it does take place.

Q244 Julian Sturdy: Building on from that, there was an independent review of farm regulation and inspection back at the end of 2018. The recommendation there was for a new independent regulator for farming. I take it from what you are saying that you are not considering going down that route then, Secretary of State. I think it was Dame Glenys Stacey who made the recommendation. Could you clarify that, please?

George Eustice: We have not ruled that out, but we are not in a position to make that judgment now. We are looking at arm's-length bodies in a broader context and thinking about how these various bits sit together. The central premise of Dame Glenys Stacey's report was that, rather than having clunky rulebooks with lots and lots of rules that farmers need to try to comply with, you should try to get back to a better system of, effectively, assessing farmers' compliance in a more holistic way, almost with a kind of rating about how well they are doing on animal welfare or environmental outcomes, so that you are managing everybody on a journey towards improvement.

We accept that basic premise and will be trying to review regulation in that context, so that what we are asking farmers to do feels more sensible and that we can recognise the challenges of dealing with the natural environment. We have not made any final decisions yet on the construction of different arm's-length bodies.

Q245 Geraint Davies: Secretary of State, we heard on the Welsh Affairs Committee from a former Australian Government trade negotiator that Welsh and British farmers had a reason to fear being swamped by the Australian deal in the medium to long term. This was on the grounds that, in the United States, the share of the market Australia had in beef grew over 20 years from being a non-entity, as he put it, to hovering around a third, by value, of the total US market, which is much bigger than the UK market. Will you confirm that, if the same happens in Britain, we are in for a very difficult time in the beef market in Britain and you are letting that happen?

George Eustice: As I said, it is very difficult to judge exactly what will happen because it depends on other market opportunities. I made the point that, although New Zealand has very generous access at the moment for lamb, it is not access that it chooses to use because it has other more attractive markets. It is very difficult to make static



HOUSE OF COMMONS

predictions of that sort. All trade agreements also have standard termination clauses. That is a feature of any trade agreement, but we judge that, at the moment, the 15 years that we have in place gives us the protection we need. We think we can accommodate that.

Q246 **Geraint Davies:** After 15 years, we could terminate the 10% right they have in the market up to then. Is that what you are saying?

George Eustice: Yes. It is a common feature of any trade agreement. Obviously, you go into trade agreements that you want to make work for the long term. Even with our trade and co-operation agreement with the European Union, there is a termination clause. It is a standard feature of all trade agreements.

Q247 **Geraint Davies:** This Australian beef may be on top of EU beef as opposed to substituting it. That is correct, isn't it?

George Eustice: The access is for Australia and, obviously, we have separate access that we have agreed for the European Union, so there is a lot of Irish beef that comes in. Again, it is quite difficult to judge what would happen. It is quite possible that some of that Australian beef would displace Irish imports and would not have a big impact on British beef. A lot of that will also be dependent on the prevailing exchange rate between the pound and the euro, which is also not easy to predict.

Q248 **Chair:** Just before we finish that one, Secretary of State, I fancy a lot of this is on a wing and a prayer, if the Asian market dries up or is not so lucrative and then the beef comes. Why are we so open all the time now to signing trade agreements that will put, potentially, our production at risk in this country?

George Eustice: Trade in agricultural commodities is a global market and agricultural commodity prices change and fluctuate. Market conditions change right around the world. Even for our own farmers, getting access to other countries, particularly in Asia, is quite important for carcass balance, to find a market for the fifth quarter in particular in countries like China and other Asian markets. We have successfully opened up the market in Japan for British beef. Likewise, we have achieved the same now in the United States. We also have market opportunities in certain—

Q249 **Chair:** On that, I will give you a more positive line. Are we going to see a massive export drive? Are we going to throw all the money from AHDB, the levies that the farmers pay, something like £40 million to £60 million a year, at a big export drive to get our meat out into the rest of the world? If we are going to take more imports, we need to get more export going. What money are you going to throw at that, then?

George Eustice: Watch this space, I would say, because we are in discussion—

Q250 **Chair:** That is a political answer. Where is this space and when is it going



to happen? That is what I want to know.

George Eustice: We are not in a position to announce it here today in front of your Committee, I am sorry to say, but we are in discussion with the Department for International Trade about exactly such an offer, as well as with AHDB. There is a lot to be said for the model of agri-food councillors that we have trialled before, which worked very well in China. We are looking very loosely at what more could be done on that front, but also at getting AHDB to do more in terms of getting the orders.

Q251 **Chair:** Do you mean match-funding what the Government might put in? I had the Prime Minister sitting roughly where you are now. I was trying to encourage him into this place where we are going to have this big drive on exports and he was being too cautious, which is unusual for the Prime Minister. When is it happening? What sort of money is going to be available?

George Eustice: I would expect us to be able to say more about this in the autumn. That will include the funding we are going to bring to bear, in order to try to move this agenda forward.

Chair: I thought we were expecting something by the end of this month.

George Eustice: In due course—

Chair: You sound just like the previous Secretary of State. I will park that one there. We had better get back to ELMS which is what we are theoretically inquiring into this afternoon, Secretary of State. I do understand that.

Q252 **Robbie Moore:** My question is on payment principles. Before I get into the question, I want to use the opportunity to say it was good to see Janet at the Yorkshire show on a shared panel that I was on with Future Farmers of Yorkshire. It was good to see that DEFRA is reaching out as Janet suggested, and I did see that with my own eyes. It was good to see you last Wednesday, Janet, in your role reaching out to the farming community.

Focusing on payment principles and ELMS, Secretary of State, you and your Department have recently published payment principles for ELMS, saying you will encourage wide participation while fairly and effectively paying for environmental outcomes. How hard will it be to do both?

George Eustice: I would argue that both are intrinsically linked in that, if you look at the old EU schemes, which were based on income forgone, the great weakness there is that we were saying to farmers, "If you do a good turn for the environment, we will cover your losses, but that is the best you are ever going to get out of us". As we go into this new world, the quid pro quo of getting rid of senseless, arbitrary, area-based subsidies is that we need to have a different type of conversation with farmers about the things we do want them to do. The payment rates should be based on the level that we need to get the scale of uptake



HOUSE OF COMMONS

necessary in order to hit the targets we are about to set ourselves under the Environment Bill.

If we are serious about improving water quality and hitting the target on halting the decline in biodiversity by 2030, we need not just pockets of work going on from farmers on the environment but almost universal uptake. We want high levels of uptake. We are aiming for over 70% of farmers to be properly engaged in the new scheme. That will be necessary to hit the targets that we have under the Environment Bill. The question becomes not how much compensation we pay farmers for doing a good turn for the environment. The question starts to be how much we need to pay farmers to incentivise the right scale of uptake. That is why the two are intrinsically linked.

Q253 Robbie Moore: Most of the farming community wants to hear this now and to have this level of detail now, so that they can start forecasting ahead over the years to come. I know that this document that was produced was released at the end of last month, but looking at the four payment principles, I am scratching my head to understand really where the detail is coming from in that. I wonder if you can expand and provide some reassurance now as to what uplift beyond income forgone you are envisaging paying to try to really incentivise uptake.

George Eustice: Farmers can see what we have done in year 1 of the SFI. We have basically changed the rates of payments, looking partly at the level at which we pitch the income forgone, so further up the scale. Overall, it means that the payment rates in the SFI that we are launching next year are approximately 30% higher than they would have been under the old income forgone system. At the same time, we have been clear that that is for next year and we are going to keep the payment rates under review, but farmers can see directly what the payment principles mean in the context of next year's scheme. That is a 30% uplift.

Q254 Robbie Moore: I know Janet might want to comment as well, but do you feel that that uplift is enough to attract uptake in ELMS in order to meet the targets you are envisaging?

George Eustice: I think it is, but, with all these things, the truth is that you do not really know until you get the scheme out there, open it for people and see how we get on. What is important to understand here is that the context in the background is that we are reducing the BPS payment. That sharpens the focus and it focuses minds.

We are already seeing the market moving, in that many more farmers and landowners, for instance, are engaging now with countryside stewardship because they can see that schemes akin to that are going to be the future, and they want to move and be early movers to get into those schemes. We are already starting to see the market move on that basis. If you are removing some of the BPS payment, it sharpens the focus of minds to get into the new schemes.



Yes, I think we will have a good uptake. Whether, in this first year, it will be as high as the 70% that we, ultimately, would like to get to for SFI remains to be seen. We are expecting it, probably, to be lower than that, possibly, in common with other schemes, more like 40% or 50% uptake. It will be universally available to everyone who wants to take part.

Robbie Moore: Janet, do you want to comment any further on those points?

Janet Hughes: I am happy to add a bit of detail on whether it is enough. Since we published the document at the end of June, which sets out the payment rates for sustainable farming for next year, we have had broadly positive feedback, I would say, from organisations across the spectrum of those that we engage with. They have cautiously welcomed the fact that we have now shown what the prices will be, and are waiting for us now to show what the prices will be across the wider range of standards and across countryside stewardship, which we will do later this year.

Cautious welcome has been the tone of the response to that document, which is encouraging in respect of the likely take-up. It is also true, of course, to say that time will tell and we will see, as we open up the scheme, how many people want to take part in it.

Q255 **Robbie Moore:** Finally from me, in terms of timeframe, at what time can we expect further announcements to be made to provide that reassurance as quickly as possible on the payment rates?

George Eustice: The payment rates for next year have been announced. I announced those at the cereals event two or three weeks ago, so, for next year, the rates are already out there. Farmers can see exactly what they will be paid and exactly what they would be expected to do for that. We will then, probably in the early part of next year, once we announce plans for an additional suite of options for 2023, announce the payment rates at that point. I would envisage us being in a similar position that, by possibly spring or early summer of next year, we would confirm precisely what the details are for 2023.

Robbie Moore: Obviously, I would like to see those payment rates for 2023 earlier, but thank you for that comment.

Q256 **Rosie Duffield:** We have pretty much covered this in Robbie's question because it was really similar, but I wonder if we could have a bit more detail, please, Secretary of State. We have heard serious concerns in our inquiries that the sustainable farming incentive will not be ambitious enough for the environment and that your recently announced payment rates still will not attract enough farmers. We have just covered that. When do you expect to know if it is delivering value for money? It might be better for us to drill down more on that if we can.

Chair: Perhaps, Secretary of State, you can deal with the environmental concerns that Rosie talks about because we have not talked much about that. Some of the NGOs and others that we have taken evidence from are



HOUSE OF COMMONS

saying that it is not environmental enough.

George Eustice: Yes, and I do not agree with that, so let me deal with that point. A bit of a perception took hold among some of the green NGOs that the sustainable farming incentive is for farmers and is about giving them an income, that it does not deliver much for the environment and that the other elements of the scheme that we are bringing forward are the ones that actually deliver for the environment.

That is not true, because we will never deliver our water quality targets unless we get changes across the farmed landscape. You need a broad scheme like the sustainable farming incentive to do that, to get fertiliser use down, to improve your management of slurry and to get more biodiversity in your soil. You will never hit your biodiversity targets unless you have a scheme like the sustainable farming incentive.

The more we have analysed this, the more apparent it has become that the sustainable farming incentive is the key to doing the heavy lifting on some of these targets that we are going to have, on water quality and biodiversity in particular. Now, there is still a very important role for the other two bits of the scheme as well, particularly when it comes to our tree-planting ambitions, peatland restoration and carbon sequestration. We will be doing those other schemes.

It is also not true to say that we are only doing the sustainable farming incentive at this point. We are already doing schemes that are akin to what we would have under landscape recovery through the nature for climate fund. We already have a tree planting scheme that is open for next year. Of course, we are already expanding the funding in countryside stewardship, which, effectively, we are going to adapt and change, and will eventually morph into what becomes the local nature recovery component. We are doing work on all three elements, but it is wrong to say that the sustainable farming incentive will not deliver for the environment, because we think it really will.

Rosie Duffield: Janet, do you want to come in on that?

Janet Hughes: I am happy to add a couple of comments in relation to the sustainable farming incentive. That is the way we get reductions in fertiliser and pesticide use, and restore soil. That is the scheme that will deliver those outcomes, which have wider benefits. It is recognised among the environmental groups that that is right, but they are of course interested to see the detail and how it plays out. That is why we work closely with them and others to develop those standards and keep iterating them until they hit the right spot.

Rosie Duffield: It would be worth adding that certainly the farmers in my constituency and around the parts of east Kent that I know well are really keen to get the most environmentally friendly schemes up and running that they can, but they need to be able to afford to do so. They need to know that switching over is financially sustainable for them. Just



HOUSE OF COMMONS

so you know, from the point of view of our constituents and the NFU branches—I would say that all members of the Committee would agree—our farmers really want to do this if they can. It is worth telling you that directly.

Q257 Chair: Secretary of State, why have you decided that the budget for ELM will be evenly split between the three components? Would you like to explain very briefly what those components are? Also, do you see them receiving exactly the same payment for each component? At the moment, the SFI is something like £70 a hectare. If three times 70 is 210, you are not far off what the original basic farm payment was and you are looking for other schemes to fund as well. Basically, does your arithmetic add up and where is it all going?

George Eustice: It is only an indicative thing and it is because we keep getting these sorts of questions: “What is the split going to be? When are we going to hear more about landscape recovery?” I have said before that I broadly saw this splitting roughly three ways. Just to be clear, these three components that we have chosen are not, if I can put it this way, like the old pillar 1 and pillar 2 of the CAP, where there is a very hard boundary with a budget in it and nothing can be done differently at all.

We see it as a continuum. We have used these three. The sustainable farming incentive describes holistic whole-farm interventions like integrated pest management, particular approaches to soil and hedgerow management that have multiple benefits. Local nature recovery is much more focused on creating space for nature in the farmed landscape, things like water features and bits of woodland. That is probably more akin to the existing countryside stewardship in terms of its pitch and ambition. Finally, landscape recovery is much more around land use change, so woodland creation, peatland restoration and so forth.

We think that, indicatively, roughly a three-way split is probably where we would end up, but it is not a hard and fast rule that we are setting ourselves. Equally, because there is a continuum throughout, some of the options we are contemplating, to be honest, could sit in either sustainable farming incentive or local nature recovery. It really will depend on what the best tool in the box is to deliver that intervention.

Q258 Chair: At the moment, we only have a binding of payment to 2024 because of the end of Parliament, so a lot of these schemes will run on a lot longer and will need to, especially catchment management and other tools you are looking at. Are you confident that the funding will be there? Also, how do you see tenant farmers that are in short-term tenancies, farm business tenancies and others being able to make these payments? Are you going to look at change in tenancy law as well?

George Eustice: I may ask Janet to come in on this. Obviously, budgets are set in a spending review process, and that is typically five years. It has been rather unusual the last few years but, typically, it is five years.



HOUSE OF COMMONS

This Government have a manifesto commitment to keep the budget exactly the same until the end of this Parliament in addition to that. It is like any other area, really, in that you will have a spending review and there can be some tweaks and changes to emphasis. Different Governments will come in, potentially, with a different emphasis and certain projects they want to prioritise, but it does not mean that the budget suddenly disappears.

The truth is that, yes, there are changes, but it becomes an incremental thing that goes from one spending review to the next. While, obviously, I am not in a position to say exactly what the budget will be post-2024, there is a battle rhythm and a routine to these things that happens in every other part of government.

Q259 Chair: I am sorry to interrupt. Would many farmers not feel that they are contracted to deliver this, so they have a contract with the Government irrespective of what colour that Government might be? When you are talking about these longer-term environmental schemes being linked somewhat to some of the stewardship schemes previously, you could not suddenly stop them. How does one deal with that?

George Eustice: You are absolutely right. Some of these agreements would have a term that is longer than five years. The higher-level countryside stewardship schemes will often be 10-year schemes. We are giving a bit of thought to that, including with tenant farmers, around how we can make sure that they can get access to some of these schemes. Janet, I know there is quite a lot of thinking going on with the working groups.

Janet Hughes: I am happy to add. We do work closely with the Tenant Farmers Association and others to make sure that what we are doing is going to work for tenant farmers because, of course, they represent a minority but a large minority of farmers. It is important that what we do works for them, particularly those on short-term lets. For example, we are looking at flexibility within the schemes. Currently, you have to sign up for five years or nothing really. We are looking at much shorter scheme-agreement lengths and the ability to adjust what is in your scheme from year to year, rather than that five-year length.

We are also looking at how we can make sure that tenant farmers are able to participate in the productivity scheme, and at things like the lower limit of the grants we give out, to make sure that it is reasonable for small farmers to take part.

Q260 Chair: If you look at the farm business tenancies, they are very flexible. They are useful in that respect, but, if you are going to get anybody who is going to push the land, i.e. grow maize or fodder beet for a biodigester or whatever, this is exactly the land that is going to be pushed hard. It is going to be fertilised hard. The trouble is that, at the moment, as far as I can see, there is no real incentive for them to change their practice because they cannot guarantee the payment. To be honest with you, the



HOUSE OF COMMONS

payment will not compensate them for the high rent they are paying for the land along with the value they are getting from the crop. How do you see that altering?

Janet Hughes: It is worth saying that lots of the things we are asking farmers to do also produce private benefits. I visited a farm last summer, for example, that was using a particular countryside stewardship scheme to deal with blackgrass in one of his fields. He was intending to rotate it around. He was a tenant and had four or five years left on his tenancy. He was making these schemes work for him in his particular context, so it can be done and there are plenty of examples of people doing that already with existing schemes.

We are now in the business of making it more attractive and viable for more to do that, and much more straightforward, so that you do not have to be an expert in DEFRA-speak or be super-entrepreneurial to find out what is available and how you can use it on your farm, but it is more broadly accessible and available to people, as well as through us introducing that flexibility.

Q261 **Chair:** A lot of people are paying probably £300 or £400 a hectare to rent this land, and so they are not going to put in for a scheme that is worth £200 a hectare and give up on a highly profitable crop. They have no certainty of how they move forward if they do move into these schemes. I am going to ask you one more question in a minute on this aspect of biodigesters. Can you answer that first, Secretary of State, please?

George Eustice: It is one of the areas that we are looking at. In my part of Cornwall, we have some of the large, quite intensive vegetable producers. Some of them are in potatoes, some of them are in daffodils and some of them are in brassicas. Then you have some livestock farmers as well. It would be an interesting model if some of those big businesses, which, at the moment, effectively take turns on the land and, in a rather nomadic way, go around and source the land they need to crop from one year to the next, were brought together into a joint venture.

Between them, they could rent quite a lot of this land collectively, as a joint venture, and have a land-sharing agreement where you get a proper rotation on the land. Rather than the banditry of going in, hammering the land and running away in a nomadic way, you slightly start to rekindle the sense of a mixed farming model where there is attention to detail. That joint venture could then enter a scheme on behalf of all of them.

Some of them, with some of the landowners, have been looking at whether you could include the landowners and the tenants together in some kind of joint venture, with certain covenants and land-sharing agreements that sit underneath that. You could start to rekindle the type of mixed farming with attention to detail and rotation that, probably, we need to rediscover.



HOUSE OF COMMONS

Chair: You need co-operation between a number of farmers. I suppose you want to incentivise that by having the payments available.

George Eustice: Yes, the ability to access the payment is what would incentivise it. I do not know whether we have started a pilot particularly on that. I was very keen to explore whether we could do a pilot in an area of the world like that where, effectively, agriculture is now dominated by a handful of quite large agri-businesses, because the challenges we have with soil erosion and all sorts of other problems are quite significant.

Q262 **Chair:** I have one final question. It is linked to ELMS. Biodigesters on farms seem to work quite well if they are relatively small. What you have seen is an awful lot of big biodigesters now that grow a lot of fodder beet and maize. They transport it for miles with tractors and trailers that probably were not licensed or ready to do that.

You are also seeing huge competition for the land because, basically, they are being paid, at the moment, a basic farm payment. They are also getting the tariff on the electricity, so I saw these digesters as using a lot of waste, but now they are using all crop because they get much more energy out of them. They are competing with the neighbouring dairy farmer or whoever it might be who might want that land to grow maize instead. What can we do about both the competition in land use and, in a way, the abuse of the agricultural system?

We need biodigesters up to a certain level on farm to be treated as agriculture, but those bigger units need to be treated much more like industrial units because that is what they are. They are causing problems in many parts of the country, including my own. I declare an interest in my own constituency.

George Eustice: It is an area of policy that is led by BEIS, although DEFRA has a very obvious interest in it. My recollection is that we try to encourage a situation where AD plants on farms should be co-located with packhouses where they got a lot of waste material, and it can be a good way of using that waste. It is occasionally the case that, to make them work, they need, often, things like maize to be part of the mix. I agree with you that, predominantly, this should be about reducing food waste and finding a good outlet for the waste that comes from packhouses and so forth.

Q263 **Chair:** If you look at the major biodigesters across the country, certainly the ones in the west country, you will find that they mainly run now on maize and fodder beet grown on land specifically for that use. I am not sure that is what they were ever intended to do. They are brought in by tractors and trailers. Some are fine; some are not. You are bringing them in from miles around. To be honest with you, what is seen as a green energy policy is causing a lot of grief both along our roads and to our local residents.

As much as I am in favour of green energy, surely that should be from



HOUSE OF COMMONS

waste, not from main crop grown on land. Do you have a policy on this? Are you prepared to look at it? I am getting quite exercised about this. I am thinking about having an inquiry into it in the future, but not yet.

George Eustice: You might want to get Kwasi Kwarteng or Anne-Marie Trevelyan from BEIS to come and talk about it with you.

Chair: You cannot pass the buck entirely, Secretary of State, because it is grown on land. It is very much an agricultural process. It is then put into a biodigester. When that leachate comes out of that biodigester, it is then spread back on the land. A lot of it goes back on to the land, so it is licensed, very often, perhaps, by the Environment Agency. They do not have enough control over this because it is seen as an agricultural product, so you cannot walk away from one if it is an agricultural product.

George Eustice: I would not dream of walking away from problems. All I can say is that I will look into it and get back to you. The last time I had cause to get involved in the AD policy issue, it was because people were saying the scheme was not generous enough and farmers could not afford to run the plants that they had. I will look at the issues you raise.

Q264 **Chair:** I can assure you it is quite the reverse at the moment. I will park that one there. Thank you, Secretary of State. You have been very patient with me and others for asking you quite wide-ranging questions that, dare I say it, have gone a little bit beyond ELMS this afternoon. Thank you both for explaining the ELMS situation. We wish you well with rolling it out.

I suppose there is one final question I might ask you, Secretary of State, which we asked the Rural Payments Agency and Natural England. Are you confident that you will have a system that not only delivers for the environment and the farmers but delivers a payment on time? We have seen, over the years, various schemes bite the dust—or not exactly bite the dust, but not deliver the payment on time.

George Eustice: On that point, it would not be an appearance from me at this Committee if I did not take the opportunity to blame the European Union for those problems. The difficulties of the common agricultural policy and the auditors, and the perpetual risk of disallowance, had a terribly debilitating effect on our ability to get schemes to work. You will have noticed, as farmers have, that, during our first year outside the European Union, we were able to shut down all sorts of things and get payments out in good time.

Q265 **Chair:** I accept that—so far, so good. I wonder whether, perhaps, a replacement of the European Commission will be the National Audit Office. Are you confident that, in trying to simplify your schemes and get those payments out on time, you will not fall foul of the National Audit Office?

George Eustice: The National Audit Office will sometimes have views to express. What we will lose, and not before time, is the horrendous



HOUSE OF COMMONS

situation we have had in years as an EU member where we were being fined around £100 million a year for alleged breaches where the auditors had a difference of opinion about how schemes should be run.

Chair: I accept that. I do not think that many farmers will be averse to the fact that the European Commission no longer involves itself in the rules. They may be a little bit concerned about some of the new systems, but, I think, when they get in place, we can farm within the system. I look forward to trying to make them work into the future. Like I said, we appreciate your candid approach today to our questions. Thank you, Janet, for backing the Minister and giving us the process. It is the Secretary of State's job to give us the political answers, so thank you very much to both of you.

George Eustice: Thank you.