

Public Accounts Committee

Oral evidence: Environmental Land Management Scheme, HC 639

Thursday 21 October 2021

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Members present: Dame Meg Hillier (Chair); Sir Geoffrey Clifton-Brown; Mr Richard Holden; James Wild.

Gareth Davies, Comptroller and Auditor General, and Adrian Jenner, Director of Parliamentary Relations, were in attendance.

Questions 1 - 30

Witnesses

I: Tom Bradshaw, Vice-President, National Farmers Union; Jenna Hegarty, Deputy Director Policy and Advocacy, RSPB; Lynette Steel, Farm Policy Adviser, Tenant Farmers Association; Maria Bellissimo, Policy Lead, Confederation of Forest Industries; Professor Rob Fraser, Emeritus Professor of Agricultural Economics, University of Kent.

Report by the Comptroller and Auditor General
The Environmental Land Management Scheme (HC 664)

Examination of Witnesses

Witnesses: Tom Bradshaw, Jenna Hegarty, Lynette Steel, Maria Bellissimo and Professor Rob Fraser.

Chair: Welcome to the Public Accounts Committee on Thursday 21 October 2021. Today, we are looking at a crucial issue post-Brexit for farmers across the UK and for our environmental land management generally as a nation in England: the environmental land management scheme.

Before I start, I would like to pay tribute to our late colleague Sir David Amess MP. This week has been overshadowed by the tragedy and brutality of his killing, but we need to remember, and he would want us to, that Parliament goes on. He worked so hard to represent his constituents. The work that we do on this Committee, standing up for people up and down the country to make sure the Government are delivering what they should be for them, is really crucial. Today's hearing is in his memory. I do not know if Sir Geoffrey Clifton-Brown would like to add some words.

Sir Geoffrey Clifton-Brown: Thank you, Chair. In adding to your remarks, David was one of the most respected Back Benchers in the entire House of Commons, always working across parties to achieve a wide range of really good aims. May I also associate your remarks with the death of our colleague James Brokenshire and express our sympathies to their wives and children?

Chair: Thank you very much, Sir Geoffrey. It has been a very sad week for Parliament and for our democracy, but we move on.

Today, we are examining the Government's planned replacement for the common agricultural policy, the environmental land management scheme. In 2019-20, farmers received around £1.8 billion in direct farm subsidies from the common agricultural policy, based mainly on the amount of land that was farmed as well as some for rural development through rural development payments. Post-Brexit, the Government have a plan to replace it and to focus particularly on paying more for environmental improvements rather than just based on the volume of land that is farmed. As ever with these schemes—we have looked at rural payments a lot on this Committee in the past—the matter is fraught with challenges. We thank the National Audit Office for its excellent report highlighting what those challenges are and particularly for the pace at which it is working.

We are really pleased today to have, as a pre-panel, a group of people who are representing themselves and organisations that are dealing with the reality of this policy as it is rolled out by the Department for Environment,



Food and Rural Affairs. We will be putting their views and thoughts to the Department in the second session.

First of all, I want to record my general thanks to all five of our pre-panel witnesses, who have rearranged their diaries after, of course, we cancelled our business on Monday to commemorate and pay tribute to Sir David Amess MP. They have moved their timetable to be here this morning, so they are all here virtually, but I really thank you very much for that.

I would like to introduce our witnesses. We have Tom Bradshaw, who is vice-president of the National Farmers Union. We have Professor Rob Fraser, emeritus professor of agricultural economics at the University of Kent. Jenny Hegarty is the deputy director of policy at the Royal Society for the Protection of Birds, which is the seventh largest landowner in England or the UK; she will correct us when she speaks, no doubt. Maria Bellissimo is the policy lead at the Confederation of Forest Industries. Lynette Steel is the farming policy adviser for the Tenant Farmers Association, representing farmers who farm but do not own the land they farm.

A really warm welcome to you all. I am going to kick off by handing over straightaway to Sir Geoffrey Clifton-Brown, the Deputy Chair.

Q1 Sir Geoffrey Clifton-Brown: Good morning and thank you to all our witnesses for appearing today and sparing the time. Chair, before I start, could I make a declaration of my Member's interests and draw everybody's attention to the fact that I am a farmer? As Tom will know, I am also a member of the NFU.

With those caveats, can I perhaps ask the whole panel to address my first question? This is a real opportunity to reset the post-war settlement for our agricultural land management and the last 40 years of CAP. Given that CAP was known to be ending at least three years ago, this is beginning to become quite a tight time schedule to get what is one of the most complex Government schemes into operation in 2024. Is this timetable realistic? Do all of your organisations think there is yet enough detail to be able to bring this into operation? Shall we start with you, Tom Bradshaw?

Tom Bradshaw: We would agree with a lot of what was identified in the National Audit Office report. We have a very constrained timeframe. There is a lot of pressure on developing a policy. The policy has to have wide-scale uptake. If ELMS does not have wide-scale uptake, it cannot deliver for farming or for the environment. We have a lot of skeleton framework around what it is going to look like, but the detail of exactly what members will need to deliver on farm is really lacking.

It is changing quite markedly day by day and week by week, which is creating levels of concern about whether it is going to be deliverable or not. It suggests to me that it is very much still in the development phase rather than in the roll-out phase. Yet we will start to see an attempt to roll this out widely next year. That causes great concern about whether everything will be in place for it to be delivered efficiently and effectively for our members.



The theory of public money for public goods and rewarding farmers properly for delivering for the environment—and, I would say, making sure it is delivered alongside sustainable food production—is crucial. If our members' first experience of the engagement with the new scheme is a negative one, as we have seen with some of the countryside stewardship schemes recently, it will be very difficult to get them to engage in the future. There are some who believe that we have until 2028 to get this right, but my view is that 2022 is the line in the sand where roll-out has to work. That first engagement has to be very streamlined and easy to do, so that members can log on and the system works.

If, when they log on, it is not working or the payments are delayed and they are not delivered on time, it will be very difficult to get the farming industry to believe in ELMS moving forward. I do believe that there is a lot of pressure on 2022 as the first roll-out phase that is going to be widely available to a lot of our members.

Q2 Sir Geoffrey Clifton-Brown: Time is limited, so I want to keep the answers brief. I want to bring in everybody else, but I have to just ask you this. Given what you have just said, what are you doing to encourage more of your members to take part in the SFI scheme in 2022?

Tom Bradshaw: We have been taking part in tests and trials. In a recent survey, some 84% of our members are showing interest in ELMS and what it is going to look like, and in delivering it. We are also doing a lot of economic analysis with Andersons to see whether the payment rates have been set at the correct levels and whether there is going to be the required reward for delivering the public goods. It is that bit that we are really concerned about at the moment. The economic returns do not look great enough to justify taking the land out of production.

Q3 Sir Geoffrey Clifton-Brown: I am going to bring everybody in, but do not feel you have to repeat what everybody else has said. We are looking for new answers. Jenna, the RSPB is one of the largest landowners in the country with huge interests in biodiversity. What is your view on this whole matter?

Jenna Hegarty: I would agree with a lot of what Tom has just said. In terms of your two questions, is it a realistic timetable and is there enough detail? It is an extremely challenging timetable. However, I think it is doable. There are some fairly foundational issues, which are largely responsible for why we are where we are, that need to be dealt with in order to for us to move forward and deliver what needs to be delivered on time.

In terms of what is encompassed in that foundational issues bracket, there is no overarching vision for agriculture in England. How will ELMS help deliver that? There is no clear set of SMART objectives spelling out what the priorities for ELMS are and its planned contribution to the Government's own environmental targets, like those in the 25-year environment plan,



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net zero and the very welcome species abundance target in the Environment Bill.

There is no pathway to get us there yet. These are really quite crucial questions. Essentially, the answers to those set the parameters for scheme design, so scheme development has been really frustrated. We have seen various standards within SFI being reworked multiple times, and going backwards and forwards, because we do not have these key decisions being made. It is a matter of urgency for the November announcement coming from Defra that these really fundamental and foundational elements of the scheme are answered. Then we can motor on with filling in the detail, which is critical for farmers to be able to plan and adapt.

- Q4 Sir Geoffrey Clifton-Brown:** May I come to you, Lynette Steel, from the Tenant Farmers Association? I am really concerned about the tenant farmers sector of farming. We have heard a certain amount of anecdotal evidence that people are not wanting to renew their tenancies and so on. It seems to me very difficult to devise a policy that suits a freeholder of a farm—an owner-occupier—and a tenant farmer, who faces a totally different economic situation. I would be really interested in your views and what your members are thinking.

Lynette Steel: Yes, it is of major concern for us and our members. During recent regional meetings that we have had with our members, there is an overwhelming theme coming from them about a total lack of engagement within ELMS, because there is not the tangible detail there for them to be able to plan their businesses for the next five years or more than that.

It is a major concern for us, and we are continuing to raise with Defra the issue of management control, which is vital for us. The people who are taking part in the scheme, taking the entrepreneurial risk in putting these schemes together on the ground, should be the ones receiving the money. Previously, in other agri-environment schemes, we have had the use of dual funding and dual use, meaning that landlords can receive the money for putting together these schemes. It is a real concern for our members going forward that they are going to be taking the risk but not receiving the payments. It is vital that we review that with Defra and we get that right from the start, in SFI 2022, as Tom has said. That is really the starting blocks for the whole of this scheme.

- Q5 Sir Geoffrey Clifton-Brown:** I do not want to put words into your mouth, but, given the risk to your sector, is Defra taking as much heed of your views as it ought to be? Should there be a special section within ELMS for very small tenant farmers? I have seen some wonderful diversified smallholders of the county council in Gloucestershire, who do a fantastic job, but their business is very much on the edge already.

Lynette Steel: We should not confuse tenant farmers with small farmers. Indeed, some of our members are very large farmers. There is a need for options within all the ELM schemes for small farmers, which I believe need to be viewed not on acreage but on the viability of the business. Yes, there



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is a need for specific options for those. However, this management control definition is going to be key to ensure that tenant farmers can take part in ELMS going forward.

Q6 Sir Geoffrey Clifton-Brown: That is very helpful, thank you. Finally, may I come to you, Professor Rob Fraser? You are an expert on the economics of farming. The NAO report makes quite clear that some sectors in some areas are going to be quite hard hit. Is it almost inevitable that we are going to move to a system under ELMS where we have bigger farms and a number of the smaller farmers, as we have just been talking about, cease to trade?

Professor Fraser: No, I do not think that is the case. I probably should say at the outset that I am a member of Defra's economic advisory panel. I have been since 2013, and I was chair of that panel between 2018 and earlier this year. I have had an opportunity to be inside the tent on a lot of this.

The people who have spoken so far have hit several key points about the timescale being challenging. As Tom commented, it is essential to have wide-scale uptake of the scheme. To do that, it needs to be what economists call incentive compatible. It needs to be worthwhile for them to engage with the scheme, but, because it is public money for public goods, it needs to be value for money for society. We have this "rock and hard place" situation that we are dealing with. That has been compounded by the virus, which has affected everything, and by serious staffing issues inside Defra, which have caused all sorts of problems, particularly in the policy design context.

Q7 Sir Geoffrey Clifton-Brown: Last, but by no means least, may I go to Maria Bellissimo, comms lead at the Confederation of Forest Industries? Public payments for public goods is a wonderful opportunity, is it not, to up the amount of forestry in the UK? What view do you take of this whole scheme?

Maria Bellissimo: Of course, this is a great opportunity to move away from CAP and its failings, and deliver more public good. However, our concern is that there is still not enough integrated land use promoted through ELMS. We would have liked to see more of that—more incentives for new woodland establishment.

We understand, of course, that Defra has been working in very challenging conditions due to the pandemic. That has shortened the timeline and put even more pressure on officials and on the design. We are grateful for the level of engagement that we have had with the forestry sector, but we would have liked to see a little more attention paid to integrating land use further.

Q8 Mr Holden: One of the concerns for so many farmers, certainly the ones I have spoken to in my constituency, is that they have felt that Defra has not really kept them up to date with what is going on, just picking up on



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what Sir Geoffrey was saying. From each of your areas, probably excluding the professor from this one, how up to date and how in the loop have you felt with Defra as this process has been going on? My understanding is that the schemes are going to be coming forward in November. Perhaps I could start with Mr Bradshaw from the NFU.

Tom Bradshaw: There has been a lot of engagement with Defra. I cannot say we feel we have been blindsided by what is being developed or that we have not been consulted, because there has been a consultative process. But is it consultation or co-design? That is a big question. We have heard a lot about co-design over the past 18 months. I do not believe, and as an organisation we do not believe, that co-design replaces consultation. That is probably a very critical point.

We have not got to a point where policy has been put forward that has then been open to consultation. It has always been an iterative process rather than saying, "This is what we are planning on delivering". November is probably when we will hear, "This is what we are planning on delivering", but I do not believe that will be a consultation; it will be a formality at that point. We might have skipped some of the consultation phase.

We have certainly been engaged in the process, but what we are lacking is the detail. Very often that is because, at the moment, the detail does not sit behind the policy. We have the framework, but we do not have the roadmap. It is that policy detail, the directions of how we are going to get there, that we have been lacking. We do feel included, but the overarching detail of the policy, particularly once we move beyond the SFI into local nature recovery and landscape recovery, is really absent at the moment. That is very concerning.

Q9 Mr Holden: Ms Steel, regarding the Tenant Farmers Association, could you just give us your thoughts on this? I quite like the point about consultation versus co-design. As Sir Geoffrey picked up, there is a worry regarding the management control element.

Lynette Steel: I would agree with what Tom said there. As stakeholders, we feel very engaged within the scheme design, but we are concerned that Defra has been focusing on the co-design strategy so much and is confusing activity for progress in the scheme design.

As a stakeholder, we feel we are inputting very heavily within the design, but we are not seeing the tangible detail come out at the other end from Defra to allow our members to know what is really coming down the road. Daily in conversations with members I am unable to advise them on how to take their businesses forward, because even I cannot give them that detail to help their business planning.

I know we are focusing on ELMS in this session. However, throughout the whole of the Future Farming and Countryside Programme, we are seeing a lack of detail on all those schemes. We must remember that ELMS is just one part of a larger programme, which is meant to create a sustainable



farming industry. At the moment, it is not allowing businesses to plan or tenants to put together tenancy applications or seek loans and mortgages to take their businesses forward. This really is a wider problem than ELMS specifically.

- Q10 Mr Holden:** Just to push you a bit further on that, Ms Steel, I met some of my young farmers in North West Durham recently. One of the big concerns they were raising with me was that they have to do very long-term planning. They are looking at investment going over years, yet they are only going to know the detail of these schemes in November—if that happens. It is going to kick in next year. Are your members telling you that they are unable to get that long-term planning in because of the very condensed timetables that we are now facing?

Lynette Steel: Yes, absolutely. Farming is a long-term business. Crop rotations are put together over many years, as are breeding programmes. Defra's fleet-of-foot approach to putting together these schemes has totally undermined any sort of sustainable business planning that any farmer, let alone young farmers, can do to make sure they have a sustainable business.

I feel for young farmers, who are trying to get a start in the industry. They have been promised that there will be a scheme specifically for them, to allow them to enter the industry with support, yet we are not seeing that come forward. What we have had so far is so lacking in detail that there is no way they can plan their business and put together a tenancy application. That is pretty much a high-on impossible task at the moment.

- Q11 Mr Holden:** Mr Bradshaw, among the concerns these young farmers raised with me—and I must put on the record that it was a meeting the NFU organised—was a combination of factors. Because they did not know what was going to happen with the scheme, some older farmers were concerned that they would not necessarily be in a position where they felt they could hand over. Younger farmers were then seeking other employment opportunities because of that lack of planning.

Are you concerned about an exodus of particularly younger farmers from the industry because they just cannot wait to see what is going to happen in the longer term?

Tom Bradshaw: There is concern. Not so long ago, I was at a meeting up in Cumbria with a tenant farmer. His two sons were in the meeting, and the most worrying part for me was when I asked them, "Are you interested in taking on the tenancy?" These are people who should be absolutely thriving and raring to go. Their response was, "Well, we are off to Scotland, because the framework looks better up there than it does in England".

That was really worrying. We desperately need the next generation to come through. There has to be an opportunity. Lynette hit the nail on the head when she said that this is one part of delivering a sustainable farming industry for the future. The whole package is critical. Sustainability means profitability. Delivering for the environment is going to be part of that, but



we need to know what the whole plan looks like. At the moment, that whole plan is not available.

Q12 Mr Holden: One of the very generous things that has happened over the past few months is that the Rural Payments Agency visited my constituency and sat down in the church hall in Stanhope with about 40 of my farmers. One of the biggest issues raised by all the farmers there was trust in the RPA given what has happened previously. Ms Steel, is that the underlying concern here? Given all the issues that we have faced with previous schemes, the trust in Defra and the RPA is at such a low level that people are not willing to give the benefit of the doubt to the Department or to the RPA at the moment.

Lynette Steel: It is of concern, absolutely. The last 30 years of agri-environment schemes have been very problematic, with the RPA having late payments over 12 months in arrears. I have had people come to me asking me to enable payments from the RPA, because they have to pay their rent and, if they are late, they could be served a notice to quit. Farmers are like elephants: they do not forget these things.

With Defra going into this new scheme and the new Future Farming and Countryside Programme, there is concern and a lack of trust there. How do they know the RPA has really managed to tighten up its processing to allow new applications on a new system, to ensure payments will come in on time, which will allow businesses to run as viable businesses? It is a real concern.

We also need to focus on the new regulation and enforcement details that are coming forward and are under review. This lighter touch on inspections is welcomed within the industry. However, there is cause for concern there as well, because we have been trained, over the last few decades, to expect harsh punishments and penalties for breaches in rules. Now we are being told it is going to be a very light-touch inspection process. That causes concern for farmers. There is not that trust there; they do not trust this light-touch process, basically.

Just on that as well, through the SFI pilot, feedback from our members has been on the guidance. The guidance has been very confusing. It has really put the onus on farmers to do what they think is best to enable the delivery of the public good, which has also concerned members. Previously, we have come from a very prescriptive scheme that tells you when things need to be planted and when they need to be re-established or whatever it may be. It is a real concern. The only way we are going to overcome that is by the RPA and Defra delivering what they need to deliver, that being the payment and the agreement, on time.

Q13 Mr Holden: One of my first constituency cases was an ongoing RPA issue around some common land that had been going on for eight years. It has only just been resolved in the last few months. Some of those issues are definitely of concern to the farming community.



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I just wanted to come to the RSPB, Ms Hegarty. You are one of the biggest landowners in the country. In terms of the level of engagement, how have you found it? What is the trust relationship between you and the Department in the RPA?

Jenna Hegarty: As other panel members have said, there has been and continues to be lots of engagement and outreach. Defra has definitely worked hard to improve its stakeholder engagement. One thing that has been really striking is how it feels like the Department has gone back to the drawing board on environmental land management design without needing to. We have decades of experience in scheme design and implementation, with shedloads of expertise in arm's-length bodies and the organisations on this call. We do not need to try to reinvent the wheel. That is part of it.

Going back to the consultation point, in 2018 the RSPB authored a paper to Defra setting out the key strategic issues that it needed to crack before it could get on with scheme design. I know other organisations on this call and wider will have done the same. Essentially, we were being very proactive. "This is what we would have submitted if you had formally consulted on this. Answer these key points, and then we can get on with co-design". The information has been received by the Department loud and clear, but it does not feel like there has been a huge amount of active listening.

I have one point on the detail. We do not have detail presented by Defra in a way that knits together to form that coherent whole, not least because we only have information for one third of ELMS itself, which is very troubling. We also lack that wider context about the bigger picture. I agree entirely: ELMS is only one part of the puzzle. Market supply chains, equity, fairness, advice and, indeed, the wider backdrop of trade agreements are all fundamentally important to the viability of farming.

In the engagement sphere, we have seen both a lack of a clear timetable from Defra, setting out when key aspects of the scheme will be got to, which presents challenges for us and arm's-length bodies around understanding that wider progress, and a tendency to consult stakeholders on very specific elements of scheme design, like scoring or particular options, without the ability to place it in the wider context of what the scheme is trying to achieve and those wider design parameters. There is a lot going on; it is just not forming that coherent picture, which makes it incredibly hard to engage as fruitfully as we all can and want to.

Q14 Mr Holden: The point about going back to the drawing board, in terms of timescale, is probably quite an interesting one. Is that something that you would agree with, Mr Bradshaw? Has Defra gone back to the drawing board? Is that one of the reasons why everything is so concertinaed right at the end or would you say that is not fair?

Tom Bradshaw: As you went back to previous Secretaries of State, there was an ambition to do things differently. Having made the bold step to



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leave the European Union, we needed to show that things were going to look different. That was an overarching aim rather than a necessity. We have many, many years of experience of what works in environmental schemes and what does not. I agree with that point: there was no necessity to do that, and we must learn from what we have done in the past.

The most successful scheme that we have had in its level of uptake was the ELS scheme. It had over 70% uptake across land management. It was a points-based scheme where you ticked boxes. We need to simplify what we have at the moment, because it is a very complicated picture of how you access the different elements of this scheme. They should be looking at core elements and then options above that. There are core elements that we know will deliver the main environmental goods, and then you tick the other elements that you want to deliver on-farm.

What we are seeing at the moment is incredibly prescriptive. Unless you can tick every part of the prescription, you cannot move to the next level. You might be able to do 90% of the first tier and everything within the second tier, but because you do not tick 100% of the first tier you are not able to do anything in the second tier. This prescription-based delivery is going to make it impossible for farmers to sign up for.

Jenna Hegarty: I will come in very quickly on that point about the level of prescription, because it is a really important one. ELS is a very good example of where freedom of choice for applicants was too far the other way. It was basically full choice, which meant that, while uptake was significant, value for money and environmental delivery were lower than they could have and should have been.

At the RSPB's Hope Farm, we deliberately used the options available in ELS in the best possible way, which every farm could have done. If that approach had been rolled out across the more than 70% of land that the scheme applied to, we would have seen a reversal in the declines in the farmland bird index. It would have been that transformative. That opportunity was missed. We absolutely cannot build that mistake or flaw into the new ELM schemes moving forward.

There needs to be a degree of top-down prescription in order for the right things to be delivered in the right place, but in a way that allows farmers the flexibility to build it around their farm businesses. That is entirely possible.

Tom Bradshaw: I agree. That is why I say that you should have to deliver the core elements and then have options above that. That would move us a long way to maximising delivery from those core elements while still giving the maximum flexibility, realising that every farming business is different.

Q15 **Mr Holden:** Ms Bellissimo, you are in a slightly different sector on this. I am just wondering about the elements of trust and engagement that you feel the forestry sector has had with Defra to date on this.



Maria Bellissimo: As I mentioned in my previous answer, we have had very good engagement. Confor, as well as the Institute of Chartered Foresters, has been part of the co-design process.

In terms of the trust and feeling like we have been listened to, there could have been some improvement. Moving forward, as we look at the development of tier 2 and tier 3, we certainly hope that there will be more opportunities for the forestry sector to have a bigger input. The biggest problem that we have seen—we see it even at this quite late stage before we start in 2022—is quite a concerning lack of clarity about how ELMS fits in with other schemes and with Government commitments around net zero and tree-planting targets. This is a serious concern.

I really agree with what my fellow witnesses have said about the lack of clarity producing uncertainty and not enabling farmers to plan for their business. This is particularly true when it comes to new woodland establishment, or having new farmers or existing, established farmers looking at the potential for planting trees on their land. We do not know what kind of support is going to be available to them beyond tier 1, beyond the farm woodland standard. We do not know how or if they will be able to access other schemes like the nature for climate fund or the England woodland creation offer. We just do not know how it all links up.

Q16 Mr Holden: This might seem like a slightly aggressive question; it is not really meant to be. There has been a lot of concern among the farming community about farms being bought up for woodland. One reason for that is perhaps the uncertainty around the future of the schemes that particularly upland farmers might be able to get involved in. I am just wondering if you would say that is a fair criticism of the Department at the moment. Is that lack of certainty about the future perhaps feeding into a broader picture, particularly for upland farmers?

Maria Bellissimo: In certain settings, the concern is understandable from the farmer's perspective about the land being bought out for woodland creation, but that is certainly not what the forestry sector is advocating for.

The lack of clarity for the long term simply makes it very difficult for farmers or any other land managers to make a sustainable business plan. That affects not only the uptake of ELMS but the ability to consider, "Okay, we have sufficiently stable and secure long-term support to invest in planting trees on part of the landholding", for example. This general lack of clarity, objectives and priorities for what ELMS wants to achieve in terms of public goods and how it fits into the wider net-zero targets that the Government have set is a serious barrier for farmers, foresters and all kinds of land users.

Q17 Mr Holden: Professor Fraser, you have heard what people from very different sectors have had to say about this in this evidence session. From your point of view, with all your background, especially in the agricultural economics side, do you understand this concern? You are very involved with Defra's advisory panel. You have heard the criticism, particularly



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around the need for farmers to be able to plan for the long term. Is Defra, as Ms Hegarty has suggested, slightly reinventing the wheel on some of this stuff? Is that a fair criticism?

Professor Fraser: Everything that has been said has been said from the heart, and I agree with the justification for that. We are taking £2 billion a year and completely changing the way in which it is spread around the landscape. You know, 80% of the direct payments go to 20% of the farmers, and that is going to change completely. You are going to end up with the allocation of funds being based on environmental benefit. That is going to be completely different.

Defra is not winning any friends so far, but that is not surprising. This is redistributing income completely across the landscape. The money for environmental benefit will go to upland areas predominantly compared with cropping areas. A lot of people are going to be very much worse off and very unhappy about it. It will take a long time for the people who benefit from this redistribution to see through the lack of detail to where they will be better off.

There is no magic bullet here. There is no solution that has gone missing. It is about time and detail. The business about going back to reinventing the wheel is more about the fact that this is taking £2 billion, reallocating it in a completely different way and wanting to do it properly. Everybody is justified in feeling anxious; everybody is justified in feeling that they cannot plan. But we should not lose sight of what an excellent opportunity this is to benefit the country with environmental improvements that are enduring and sustainable.

Q18 **Mr Holden:** Mr Bradshaw, are you reassured that a lot of people are going to be worse off?

Tom Bradshaw: I am very reassured—no. On the statement that 80% has gone to 20%, it is still going to be the largest landowners that benefit from whatever the new scheme is going to look like. There is no way of removing that. The premise is that this is suddenly going to redistribute it to different landowners. Landownership—or tenancy, if we get it right—will be the key to unlocking the door. You still have to have access to the land to be able to draw it down. Otherwise, it just simply is not going to work.

There is a wider question here. We talk about £2 billion, but I question whether all the objectives of ELMS can be delivered for £2 billion. Maybe the ambition is far too great, and we are trying to deliver the impossible by delivering for absolutely everybody with £2 billion. Until we see what the scheme looks like, it is impossible to assess whether we can deliver clean air and clean water for wildlife, biodiversity and carbon storage.

Yesterday's announcement in the net-zero report was that ELMS is a key driver of net zero. We have not seen that in policy development at the moment. I would ask where that statement came from yesterday that ELMS is such a critical part of net-zero delivery. To date, we have not seen



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that. If we are going to drive net zero through ELMS, I question whether £2 billion is anything like enough money to deliver on all those environmental objectives.

Q19 Sir Geoffrey Clifton-Brown: Professor Fraser, you were pretty candid in your answer to my colleague just then. I would like to probe a little more on what this redistribution of the types of farmers that we have in the UK is going to look like.

If I can take you to figure 5—I do not know whether you have had a chance to read the NAO report or whether you are familiar with that figure—most people would be quite surprised, if you look at the left-hand column, that the average net profit without any direct payments, i.e. without any subsidy, of all farms in England was just £22,800. That is an average.

To the questions I was asking Lynette Steel earlier, unless we have some support for smaller and small tenant farmers—I challenge your statement earlier on—inevitably the average farm size is likely to rise, is it not? Some of these smaller and less viable farmers are inevitably going to go out of business, are they not?

Professor Fraser: I am not really sure about this business about farm size. Environment benefit is an intensely spatial issue. It is not going to be about having big farms; it is going to be about being in areas where the environmental benefit is greatest.

We are talking about two main things for environmental benefit. One of them is the recreation benefit and the other is conservation benefit. The determinants of those things are what will drive particularly components 2 and 3 of ELMS. The intention of component 1, the sustainable farming incentive, is to spread as much support as possible as widely as possible. Not everybody is in a pretty area where lots of people want to go and visit. With component 1, we will have an attempt—this is why it is being brought forward—to support financially as wide a section of the farming community as possible.

Components 2 and 3 are intended to be targeted at particular areas. That is when we will see entities like the national parks and the AONBs brought into play. Landscape recovery will involve other players of that nature in determining how farmers interact with those entities to deliver environmental benefit. It is very different. That is why I feel people are anxious and confused.

Q20 Sir Geoffrey Clifton-Brown: Is it not an absolute given that, unless you have farmers who are profitable, you cannot deliver any of these environmental gains? If smaller and tenant farmers at the bottom end are not profitable, how are they going to deliver these environmental gains that you are talking about?

Professor Fraser: It depends where they get their profits from. If you are asking, “Are they going to keep getting their profits from beef farming or



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sheep?”, that may not be the case. Their profits may come from providing environmental goods that the scheme, as it is set up, is willing to pay for.

If you look at the list of things that the higher level stewardship scheme has funded farmers to do, you will get a sense of the sorts of things that are seen as enhancing environmental benefit. It is about playing different games. In the same way that, if my job was to close down, I would have to retrain or reorganise myself to do something different, where the profit comes from is what is going to change. Hopefully we will maintain, in a sustainable way, as large an agriculture land use community as possible.

- Q21 Sir Geoffrey Clifton-Brown:** I have one final question, because our time is beginning to run out. We all laud the ambitions of ELMS—the environmental benefits, the afforestation and everything else—but is it not inevitable that, if you take that amount of land out of production each year, food prices are going to rise?

Professor Fraser: We import something like £18 billion of food a year, and we export less than £5 billion of food a year. The UK is basically a very large net importer of food. We can import energy as well. What we cannot import are environmental benefits. You cannot import those. You cannot import an attractive landscape and you cannot import a national park, but you can import food. The ambition is to maximise the value to society of the landscape in this country.

- Q22 Sir Geoffrey Clifton-Brown:** We are going to be increasingly reliant on imports. Is that what you are saying?

Professor Fraser: That is where we are going. I do not know whether that is necessarily a bad thing, but then I am an economist. Lots of people do not agree with economists.

- Q23 Sir Geoffrey Clifton-Brown:** When there is a world spike in food prices, as there has been in energy prices, we are going to be in difficulties, are we not, if we keep importing more and more food?

Professor Fraser: Food price spikes depend on a whole range of international factors. It is not appropriate for us to get into a discussion about self-sufficiency in the context of ELM.

Sir Geoffrey Clifton-Brown: Okay, let us move on.

Chair: Mr Bradshaw just wanted to come in briefly on that.

Sir Geoffrey Clifton-Brown: Yes, I think he did.

Chair: It is only fair.

Tom Bradshaw: I have to put it on the record that clearly we think self-sufficiency is very important. If we are going to be importing more food, we cannot simply export our environmental conscience. That is what we are very likely to do: greenwash the UK but not have those standards of production in other parts of the world that we are trading with. Then there



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is no net improvement. We cannot think of ourselves as a little island; we have to think about what is happening globally and what our impact is globally. We have to put that on record at this moment.

Chair: It is something that we are very alert to as a Committee.

Sir Geoffrey Clifton-Brown: Ms Hegarty, you have been very patient. Let us hear what you would like to say.

Jenna Hegarty: Thank you. Yes, there are a couple of things that I wanted to draw on. One is the benefit of managing land for environmental public goods and the benefits, and yield in a lot of cases, that that brings directly to farm businesses.

We have really good evidence around the role that, say, flower-rich margins can play in helping boost yields as well as tackle pests. This is an area where Defra is not doing enough to frame ELMS in that broader context of something that is delivering environmental benefits that are good and needed in their own right, but are also good and needed to underpin long-term viable farming systems in the country. They are missing a framing trick there, which may be part of the reason why the appetite in certain sections of the farming community is less than it could and should be.

Similarly, some of our more marginalised farming systems, our upland farming systems, are more reliant on current direct payments than other farming systems. We cannot skirt over that. That is a real and pressing challenge. They are also some of the sections of our farming community that are best set up to embrace the opportunities ELMS can provide in delivering more for the environment and bringing direct business benefit through what is essentially a “less is more” approach. You are really working hard, with advice, to reduce your fixed and variable costs so you are making more money but also delivering a wider range of societal benefits as well as a solid food provision therein.

Again, it goes back to placing ELMS in that wider context of what we need for our land and farming therein. ELMS is just one part of that. Advice, support and a clear transition for key sections of the farming community from where we are now to where we need to get to are all part of the picture that is currently missing. The potential is massive. That is the potential for the environment but also the potential for all elements of the farming community.

Q24 **Chair:** I just have a couple of quick questions. First, we had some evidence from the Farming Forum Grassroots Group, which is a joint submission from 14 farmers co-ordinated via the online Farming Forum. They are very sceptical about Defra’s apparent planned reliance on consultants. I will quote from them. I would be interested to hear particularly from Mr Bradshaw and anyone else who has any comments.

“We are alarmed at the tone of many announcements so far and that the whole process has been characterised by use of the term ‘trusted adviser’



when there is a huge lack of trust in these bodies amongst farmers. Defra may trust them. We do not". Mr Bradshaw, do you share any concerns in that direction? Is that just the particular view of that group?

Tom Bradshaw: From our perspective, we want to maximise the amount of returns that end up in farmers' pockets and members' pockets. My view is that, over at least two decades and more of environmental schemes, we know the elements that work. All the research tells us the elements that work. If we design a scheme that needs consultants, particularly for the first tier, for the SFI level, we have got scheme design wrong.

It should be possible for a farmer to log on to that system, make their application and know what they have to deliver on farm. That should be the ambition from the start. The first tiers should not require advice. Many will still choose to take advice, as they have done. They have chosen to have consultants do their BPS for them, but, if advice is compulsory, we have got scheme design wrong.

Lynette Steel: I would agree with Tom in his statement. It is imperative to remember that farmers are the experts at delivering these environmental goals. They are the ones on the ground who are doing the actual activity to deliver for the environment. I totally agree with Tom. If we are having to pay for advisers to come in and consult on how that is delivered, fundamentally the scheme design is wrong.

Q25 Chair: I just want to get to the nub of the points that have come out a bit in discussion. We have the sustainable farm incentive 2022. We know the Department asked Ministers to slow it down. They said they wanted to go ahead anyway, but it is now down to a very small scale about soil.

First of all, particularly to Mr Bradshaw, we understand from the National Audit Office that, since it wrote its report, there has been an uptick in farmers willing to go into the pilot. Perhaps you can give us an update on that. Is this too small scale to be realistically useful as a pilot to go ahead?

In just a summary sentence, in an ideal world, if you were sitting in the Permanent Secretary's shoes—she is going to be in front of us in a moment—what would you do? Would you stick to the timetable? What would you do differently at this point, given that the timetable is imminent?

Tom Bradshaw: Yes, there is an uptick. Originally the ambition was to have 1,000 people taking part in the pilot. We have just under 1,000 and there is a broad spread. That element has been reasonably successful in getting the numbers. We have already delayed that a month, because there was suddenly a realisation that the harvest happens in August and maybe it was not sensible to have a deadline set at the end of August. We have already had that month of delay, which is another delay in the system.

For SFI 2022, I welcome simplicity as to what is now called SFI early roll-out, which gives me more cause for concern, if I am honest with you, because it does not commit for 2022. I welcome simplicity in that. It was critical for us that there were not double-payment issues with countryside



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stewardship and other environmental schemes so it was available to the widest base of members and farm businesses out there. We welcome the simplicity, because it gives that broad access. As I have said before, wide-scale uptake is crucial to the successful delivery of this. The standards for SFI 2022 are still not ready, and we are still seeing more iterations of what they look like week by week.

Q26 Chair: What would you do right now?

Tom Bradshaw: I would delay roll-out. I would continue the pilot and the learning phase of the pilot, which is crucial. It is across more standards than 2022 will be, but I would delay 2022 roll-out. The NFU has been quite clear in asking for the delay to that roll-out so that, when we get to delivery, it really works for farmers and the environment.

Q27 Chair: I know the Permanent Secretary has been listening in, so that is loud and clear. Maria Bellissimo, what about you? In summary, would you continue? Would you delay?

Maria Bellissimo: A slight delay would probably be helpful. There is still a lot that needs to be done in terms of consulting and really thinking about bringing about change and transformation in the way land is used in the UK, which was the original purpose of moving away from CAP. Yes, delaying and trying to get things right rather than rushing into the roll-out would probably be the wise thing to do.

Jenna Hegarty: In a nutshell, we would not advocate for more delay just because there has been so much unnecessary delay built into the process thus far that the urgency of getting this right and getting it right quickly is even more heightened. I have said it throughout, but having more information, and critically information that makes sense in the round, about the bits of ELMS that we do not really know anything about—the local nature recovery and landscape recovery elements—is vital.

In terms of SFI itself, it is making sure that it is signalling that clear step in the direction of travel that Defra signalled several years ago, and that it is ambitious and as ambitious as it needs to be. On environmental delivery, that is not quite there yet, but it is perfectly within Defra's gift to remedy that in terms of the percentage of farmland that is managed for nature—

Q28 Chair: So your vote is not to delay, in simple terms.

Jenna Hegarty: Yes.

Chair: That is because of environmental priorities and urgency. I am seeing how this is falling. It is as I suspected.

Lynette Steel: We asked for a delay 12 months ago and we were told there was no political appetite for it. We do not think that now is the time to delay. The time to delay was 12 months ago. Now, we need to move forward with this. I agree with Jenna: the main focus of the driving factors now is that the communication has to be got out there of scheme details,



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payment rates and exactly how Defra and the RPA are going to deliver this scheme for farmers.

Q29 Chair: If you have the information, there is no need for delay. There is a caveat on that. Professor Fraser, you have the last word on this point.

Professor Fraser: I feel a bit like I have to make some sort of casting vote. I do not really want to do that. It is important to understand that the simplification, the focus on soil management, is to focus on the key areas where agriculture has been seen to be detrimental to the environment. We are talking about nitrate leaching, soil erosion, habitat degradation and biodiversity loss. The focus on soil management in the SFI is to try to ameliorate the negative effects of agriculture on the environment as the first key step. That is a very good first key step to take, and I would want to go ahead on that basis.

The other important factor is that, as Tom has said, we have to have strong uptake of farmers into the process. I get the sense that getting on with it may be more encouraging to farmers to join in than to push it back again and say, "If we just keep hanging on there, the turkeys will turn up for Christmas".

Chair: Well, there are lots of different views. I am going to bring in Sir Geoffrey Clifton-Brown for the last word before we move on.

Q30 Sir Geoffrey Clifton-Brown: I have one last question for you, Mr Bradshaw. Given the answer that Professor Fraser has just given to us with all these laudable aims, have you been making recommendations into Defra about the design of these schemes? Defra has a habit of making schemes that are very complex and not user friendly. Have you been making any recommendations along those lines?

Tom Bradshaw: We presented what we felt was a workable scheme in August last year. I cannot remember exactly what we called it. It was the SFFS, the sustainable food and farming scheme. It was co-ordinated across a wide range of stakeholders and meant that sustainable food production underpinned environmental delivery. Once you get to the point of truly sustainable production, the environment and food production live hand in glove. That is the point we need to get to.

We have been putting all of these recommendations forward. This co-design process is creating a little bit of chaos. There are so many different opinions coming in all at different times that there is not a co-ordinated approach to the scheme development, or that is how it feels to us from the outside. Everyone is chipping in, and nobody really knows exactly where scheme design is getting to.

It does feel complicated and it feels to us very, very prescriptive. When it gets to delivery, for farmers at the moment it will be very challenging. We have seen that within the pilot. The early feedback is to say, "Wow, this looks complicated". I am taking part in that pilot; I should put my hand up.



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That is to try to influence things and see exactly what it looks like on farm rather than because of the incentives.

Finally, the incentives we are seeing at the moment suggest that in any intensive business you are not going to look at this favourably and it will not make sense to go into the scheme.

Chair: Thank you all very warmly for your time. Again, I just want to put on record our thanks for rearranging your time at very short notice this week. We are now going to take a brief pause as we flick you off the screen and we welcome into the room key officials from the Department. You are very welcome to tune in.

Our transcript from this session will be available probably by about Monday thanks to our good colleagues at Hansard. We will be expecting to publish the report between now and Christmas, but certainly in the next few weeks.