

Written evidence submitted by The Nature Friendly Farming Network (NFFN) (ELM0021)

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The Nature Friendly Farming Network (NFFN) is a farmer-led independent organisation, established in November 2017, uniting farmers across the UK who are committed to managing their land for wildlife and public goods at the same time as growing and providing safe, healthy, and nutritious food.

We come from a range of backgrounds big and small, organic, and conventional. We are passionate about ensuring our countryside is productive and bursting with wildlife. We hope to highlight that farming and nature can go hand in hand, feeding the nation, including during challenging moments such as the recent COVID-19 pandemic.

1. Is the Government's timeframe for the national pilot, full roll-out of ELM and phasing out direct payments by 2027 feasible?

Yes, though there should always be proper recognition of the financial implications of new policy on farm structure and the diversity of types of farm across the country. Transitional arrangements and future payments should aim to preserve this diversity and be aware of the social and economic impact of a rapid loss of income to farm businesses. Government should provide a clear timetable and support to enable farm businesses to adapt to the loss of direct payments and direct their priorities towards the multiple outcomes that farm businesses can deliver at a landscape scale.

2. Will the Sustainable Farming Incentive be a viable support measure for farmers before the full roll-out of ELM? Is further support required during the transition period?

Environmental payments should be fair and generous and make economic sense to farm businesses as well as environmental sense. Farmers should be able to access payments in line with their achievements and effort. Payments should reflect the genuine environmental or social value of the benefits farmers provide and be attractive to them.

All payments to farmers should be paid monthly and on time. Problems with payment systems and processes, as well as causing economic problems for individual farmers and the industry as a whole, also undermine trust and enthusiasm for schemes in the future.

Payments for public goods should provide all types of farmers, in all types of geographical and agronomic context, with an attractive income stream as part of a sustainable business model. Payments should go beyond a 'cost-incurred, income foregone' approach. Too often the true value of such options has not been reflected in the payments attached to them. This often limits uptake of particular interventions that require more difficult or expensive management but can often provide significant environmental benefit.

"Farmers are generally more interested in producing food than the environment so if the payment is only income foregone most would continue 'farming' the land." – farmer response, NFFN ELM Farmer Survey, July 2020

Instead, there should be a 'market value' approach calculated on a local level, which represents the true value of the public good that the farmer is delivering. This would incentivise farmers to go beyond the minimal effort interventions. It also solves the problem of underpaying farmers, as

plenty of farmers will actually need to spend above the average cost of an intervention, due to their location or specific circumstances.

There is good evidence that payments based on outcomes, or at least results, can improve environmental benefits, and increase farmer engagement and awareness of ELM schemes. However, there are technical challenges with this approach: results are not always in the control of the farmer and could present a higher risk to them. Payment for results could be used to top up payment for management actions (e.g., paying to plant a wild bird seed crop and then paying an additional sum if certain results are achieved from this).

Any system of payment by results or outputs should be dependent on clearly defined metrics and targets, with consensus on what change is being measured and how. It will also depend on high quality advice to help farmers and land managers to follow best practice and to ascertain why management has or has not led to the desired outcome. Trust in farmers is critical to success.

3. How effectively has Defra engaged with land managers and other stakeholders on the design of ELM, including on the transitional arrangements?

It is important that throughout the design and development of ELM, Defra directly interacts and works with farmers to learn and implement what farmers want to trial, informed by their knowledge and experience. Farmers will be particularly aware of local needs and priorities, and what public goods their land can deliver.

Large organisations and NGOs have an important role in facilitating the delivery, but they cannot represent farmers, and in order to demonstrate that Defra are committed to building a scheme that farmers will be able to engage with, they must show that farmer input is a priority at every stage. Farmers being involved throughout will also increase the capacity for peer-to-peer learning and knowledge sharing into the future.

Our farmer survey showed that local advisors are the most popular option for sources of advice (69%). This highlights importance of advice being specific to the local context. The two most popular times when advice would be needed were 'when applying for an ELM agreement' (77%) and 'while implementing options on the farm' (73%).

Therefore, advice is necessary from the very beginning, and farmers must be supported all the way through the process. To achieve environmental outcomes, whilst delivering value for money, farmers must be provided with consistent, high quality advice. Regular support from a trusted advisor makes a significant difference in achieving success and ensures that land managers are fully equipped to do what is best in each area.

"Who should be giving advice? A collection of people who represent the varying needs of every aspect of farming and diversity of farms so small farms are supported too." – farmer response, NFFN ELM Farmer Survey, July 2020

As well as environmental advice, farming business advice is essential. ELM can deliver multiple outcomes and so advice should reflect the range of outcomes, including for business management, landscape, and all public goods.

All types of scheme should be supported by expert advice, but targeted and larger scale schemes must be supported by significant levels of advice. When farmers enter the schemes, they should be able to look at the outset at what type of advice is needed and how it will be accessed.

Payment for advice should come in part from the farmer – in the same way that farmers pay for other advisory services – but also be supported by government where it helps farmers achieve public benefits and be included in the payment received for delivery.

Advisers should be local and independent, and separate from the function of regulator. Advisers should not have a dual role, for example representing financially interested stakeholders.

4. How can ELM be made an attractive business choice for farmers and land managers while effectively delivering its policy goals?

It is important to note that we strongly support the vision and purpose of ELM – especially in prioritising environmental goods, net zero, and enabling all farmers to access the scheme in locally appropriate ways. Nature-friendly farming should be the norm across all types of farming system at all scales, and we hope that ELM can be ambitious enough to deliver this.

However, current farming business models are fundamentally unprofitable and therefore unsustainable. Many farm businesses are at risk over the coming years. ELM is essential to use public money to safeguard nature but must be adjacent to proper business management support, which itself relies on good environmental management. The challenge for a new payments system will be to establish what budgetary provisions are to be made to ensure business viability alongside public goods delivery. These aspects, if done right, will be mutually reinforcing and represent the best value for money for farmers and the public.

NFFN are keen to work with Defra to develop a roadmap to deliver long term, viable business models for farming underpinned by nature. 93% of our farmers agreed that local priorities should be included in ELM. 83% of farmers thought that local landscape priorities should be a key determining factor, as well as farm business needs (60%) and local community engagement (50%).

Local farmers and local communities should have significant input into local priorities. This is a key opportunity for local communities and the general public to engage with their local landscape and the food that comes from it.

Our three main criteria are: peer-to-peer learning; joint capital grants; and additional funding for projects undertaken as landscape scale collaborations.

Peer-to-peer learning: To collaborate across landholdings, ELM advice and support should prioritise peer-to-peer learning, so farmers can share knowledge and work together on actions and outcomes that affect them jointly. For example, this could involve delivering advice to existing networks (like NFFN), farm clusters and neighbour groups.

Collaborative capital grants: Capital grants must also be explicitly available to utilise across multiple holdings, allowing farmers to share investment and equipment to deliver landscape scale outcomes. This would also mean getting the best value for money – where one farmer may not be able to make the most of large machinery or technology, sharing the equipment with neighbouring farms would open up more opportunities for public goods delivery and sensible agronomics.

Additional funding for collaboration: there should be additional funding for clustering and a landscape scale approach, to represent the additional value these joint projects will deliver to the public. Farmers that want to collaborate to produce landscape scale results, for example species recovery or to improve water quality, should have access to additional support to help them do this,

for example at a catchment scale. Working in partnership across multiple holdings should therefore be worth more to each farmer doing similar activities alone.

Nethergill Associates, a member of NFFN England, recently conducted exploratory research into farm business models, proposing a new approach to understanding farm business profitability in line with nature and Natural Capital. This research has shown that 'Maximum Sustainable Output' determines maximum profitability within a farm business, representing the amount produced at the carrying capacity of the land, without incurring a higher amount of fixed costs through extra inputs like fertiliser. This means that profitability can be higher at lower outputs, contrary to arguments focused exclusively on productivity.

This work has also shown that to fit in with standard accounting conventions it is essential to start with the proposition that Nature is a stakeholder in every farming business. As such, Nature ranks with shareholders, subscribers, and proprietors as liabilities on the balance sheet. We invite Defra to discuss these models with us and utilise these principles when designing any new payments system.

You can read more in our Nature Means Business report here: <https://www.nffn.org.uk/wp-content/uploads/2020/10/20012-NFFN-Report-Nature-means-business-DIGITAL-1.pdf>

5. How can the Government ensure that ELM agreements achieve their intended environmental outcomes, reduce bureaucratic burdens on farmers and deliver value for money?

It is certainly possible that basic structure of ELM as proposed can both deliver environmental benefits and reduce environmental harms. However, we are genuinely concerned that the specific actions outlined in Tier 1 are merely doing the job of regulation so will not deliver environmental goods in the long term. We recognise that many farmers are not already at the baseline level, so any initial support should be focussed on the process of helping those farmers to shift to good practice and beyond, rather than just maintaining the baseline. Each Tier 1 agreement that farmers sign (for example in 5-year periods) should take a farmer further on the journey towards environmental enhancement – this would give farmers below the baseline an opportunity to catch up and adapt their businesses over their first agreement and go beyond the baseline over time.

The NFFN demonstrates this by showcasing a wealth of farmers who are already implementing ambitious on-farm actions to deliver public goods, and we believe it is these practices that should be rewarded accordingly.

A combination of public and private sector investment (for example from councils, water companies or developers) could certainly help pay for some environmental outcomes which have broad co-benefits for all partners, such as water quality. Partnerships where farmers can access the capital available to private companies would also mean initiatives could happen which would otherwise be unachievable. These should work in parallel with government supported environmental schemes to spread cost fairly and avoid duplication.

When there are multiple funding and business opportunities to deliver multiple outcomes, it will be vital to have a joined-up approach e.g., flood management interventions on farms will require an aligned system so that all benefactors (public, insurance companies, water companies) contribute fairly to the financial remuneration to the farmer.

There is also an important role for the food supply chain in influencing how land is managed. Accreditation schemes can ensure that food produced to high environmental standards is

recognised in the market. This could include highlighting food produced on land managed under ELM schemes. Improved public awareness of ELM schemes would allow the public to understand better the link between their tax money, their spending on food and the management of the countryside.

6. What lessons should be learned from the successes and failures of previous schemes paying for environmental outcomes?

In our NFFN ELM Farmer Survey (July 2020), we asked farmers what the key barriers and solutions for participation in ELM are. Key barriers were 'knowing what the scheme will look like' (53%), 'financial benefit' (53%), and 'understanding how ELM fits into your business and farmed landscape' (50%). The most popular solution for participation was through 'clusters of farmers' (53%), and the least popular option was 'government body demonstration' (10%). This shows the importance of existing networks and peer-to-peer learning from trusted sources.

Therefore, our key principles are:

- **Clear and intuitive** application process
- **Choice and flexibility** to tailor actions to the farm and landscape context
- An **ambitious and accessible first tier**, which allows all farmers to provide high quality public goods
- **Peer-to-peer** learning through existing networks and farm clusters
- An integration of **regenerative farming** systems like organic and agroecological methods which take a **whole farm approach**
- Linking clear **baseline regulations with guidance** and support to meet and exceed them
- A **promotion of the benefits** and advantages of the scheme for farmers to increase buy-in

To elaborate:

Application process: there should be an intuitive and straightforward application process and clear guidance to the applicant to identify the range of benefits to their business and the environment to encourage buy in and recognition of what is being delivered.

Choice and flexibility: There should be a wide range of choice available, including support for more sustainable production and agroecological systems appropriate to the farm. Environmental delivery should be tailored at an individual farm level and farmer motivations, to ensure relevance and encourage farmer buy-in. Measures should be available to all where they deliver what the local landscape and environment needs. Flexibility should be built into the design of new schemes, so that farmers can alter management practices if required. We feel this is a major flaw in the current design of schemes. Farmers must be involved in the development of agri-environment options, our knowledge and experience will be crucial in delivering something that works, representing good value for money and greater buy in from the farming community.

Ambitious and accessible first tier: For maximum accessibility, Tier 1 should provide a comprehensive element, open to all farmers, with rewards increasing in relation to effort. Tier 1 should therefore focus on mainstreaming ambitious on-farm measures that all farmers can take, above and beyond those already delivered by ELS. To achieve this there will need to be significant investment in support to move a large majority, if not all, farmers into the scheme. This will include advice and transition payments (as used for organic conversion) to support farmers to both gain recognition for work they are already doing and to reach an ambitious level for this scheme (i.e., beyond both cross-compliance and much of ELS).

Peer to peer learning: Farmers should be enabled and supported to spread the word to their peers to enable the promotion of the scheme to be in the language that farmers understand. This would encourage farmers to engage with the scheme more than an external, unfamiliar representative. Our survey of NFFN farmers showed that this is a top priority.

Agroecology and regenerative systems: In order to be accessible, the whole range of farmers and farm types, there should also be support for specific types of farming that benefit the environment – including payments to support organic and other agroecological farming systems (based on the known benefits they provide) and to support the continuation of High Nature Value farming, crofting, and forestry, especially in the uplands and more marginal farming areas.

Clear regulation and support: To ensure farmers are not put off by the scheme, regulation and advice should be intricately linked, so that any farmer found in breach of regulation has a) time to rectify the situation and b) access to quality advice in order to become compliant. Beyond this, we would support measure to enforce penalties for noncompliance. This would engender greater trust between the industry and the regulator.

Awareness of benefits: Awareness should also be increased within the agriculture and rural sector of the benefits of ELM schemes to both the environment and their farm businesses, and why are they designed as they are. Results, successes, and best practices examples should be shared within, and beyond, the industry. This will help the industry be proud of its achievements, while also recognising where there is room for improvement. This could also help people to be aware of what they are seeing on the ground and could help landlords improve their understanding of their tenants' management practices.

Photographs, mobile applications, and other digital technology will all be useful and should be tested with farmers for accessibility and uptake. However, the priority should an investment in surveying, upskilling both farmers and local communities. Most of our farmers were comfortable with a whole range of options, including photographs (57%), a local advisor (63%), and a phone application shared with Defra (60%). However, there was acknowledgement that species and habitat surveys by trained ecologists will be essential in many projects.

It is crucial that this comprehensive scheme is **more ambitious than Entry Level Stewardship**, to secure measurable benefits for the public. This will include increased recognition for farmers already delivering for the environment but not recognised for it (i.e., those not enrolled in current environmental schemes).

ENDS