



Consultation: Health and Harmony

Response to the consultation on the future for food, farming and the environment in a Green Brexit by the National Trust

8 May 2018

The National Trust is a charity founded in 1895 by three people who saw the importance of our nation's heritage and open spaces and wanted to preserve them for everyone to enjoy. More than 120 years later, these values are still at the heart of everything we do. We are Europe's largest conservation charity with five million members and the UK's largest private landowner and farmer with 250,000 hectares of land and 775 miles of coast across England, Wales and Northern Ireland.

We have actively acquired farmland for its intrinsic value or as the rural holding of historic estates for over a century. Farmland now represents some 200,000 hectares of our estate with 1,800 agricultural tenancies. As a charity, we have a duty under our founding 1907 Act of Parliament to protect and look after these special landscapes and associated natural features for wider public benefit and for future generations. Farming has always been and remains the primary land use across our estate and is currently the way we meet our land-based charitable obligations.

We are committed to playing our part and are working with our tenants and beyond our boundaries to develop innovative ways of managing land on a scale which are good for farmers, good for the economy and good for the environment.

1. Introduction and summary

We welcome the opportunity to respond to the Government's proposals to put enhancing the environment at the heart of a new system for farming and land management in England, which could work for the whole of the UK. Sustainable and profitable farming is underpinned by a healthy environment, which in turn is dependent upon a farming system that is sensitive to its needs. If this approach is not pursued now, not only will we continue to see the degradation of our natural environment, but the long term future of farming itself will ultimately be under question.

We believe that farmers will continue to have a critical role in producing safe and sustainable supplies of food, but they will also have a crucial part to play in improving biodiversity, protecting vulnerable natural resources upon which our economy depends, caring for our landscapes and heritage, looking after the welfare of livestock, and helping to address growing challenges like climate change and flooding.

There is now a large degree of consensus among environmental organisations and many farmers and farming bodies around the need to channel public money towards delivering these public benefits. At present, large proportions of subsidy paid to farmers are tied to land area. However, while there have been some benefits for the environment, on the whole these payments have failed to help our wildlife and declines of farmland birds and other species continue apace, alongside degradation of assets like soil and water.

A better future for the nation, including our farmers, rural communities and the environment, is possible. Public funding can continue to be justified, if it is linked to the delivery of public benefits. This will enhance the environment upon which food production depends, provide much greater access to nature and the outdoors (which we know promotes physical and mental wellbeing), and

open up new opportunities to farming and the countryside to build a more sustainable and financially viable sector and vibrant rural economy.

The end of subsidies based on land holding will be a major challenge for many farmers. On average, farms will have to cut costs by 11% to make a profit without Direct Payments. This level of cuts for farmers will not be painless. For some, the challenge will be much greater and a much more radical change in approach will be needed.

Many farmers are not in a good place to manage this change. Only a third of farmers produce budgets, cash flows or in-depth profit and loss accounts and only one in five produce a formal plan for their farm. Current investment approaches by farmers are not necessarily helping if the overall model they have is flawed – over half of farms have a negative economic return on their investments. Whilst overall production levels stay fairly steady, the prices that farmers receive for what they produce fluctuates considerably (by up to 50%), often influenced by exchange rates and global weather events. However, with the right support farmers can build their skills, adopt new approaches and innovate to move to profitable, sustainable businesses in the long term.

While the Government's proposals are a positive step towards a new future, we hope this will be reflected in the forthcoming Agriculture (or 'Land Management') Bill. More detail is however urgently needed on the length and nature of the transition, what the destination looks like, and how much funding will be available in future. We believe these key elements should play a part in this:

- **Public money should be directed towards public benefits**, particularly environmental outcomes (for soils, water, climate, biodiversity and others), protecting heritage assets (a large number of which are found on farmland) and improving access.
- **A strong regulatory baseline combined with enforcement is required for everyone** to ensure that there is no degradation in environmental standards.
- **The current £3.1bn annual level of public funding for farming needs to be maintained**, and an independent assessment of the scale of environmental need should be commissioned.
- **A focus on the natural and historic environment is the best way of securing a long-term funding settlement** and a sustainable future for farming and land management.
- **The majority of funds from Pillar 1 should be quickly and progressively repurposed** for the delivery of more widespread and better environmental outcomes.
- **The process and delivery of Countryside Stewardship should be improved** to engage and prepare farmers whilst developing, testing and piloting new ways of paying for better environmental outcomes early in the transition period.
- **New innovative approaches should be pursued and enabled by government** to complement public finance including conservation covenants, tax incentives and market-based mechanisms, such as payments for ecosystem services.
- **Farmers and other land managers should be encouraged and supported to participate** in the co-design process and delivery of future environmental schemes.
- **Provision of locally-based, good quality, trusted and broad advice will be critical** to the delivery high quality environmental outcomes and maintaining cultural landscapes and the historic environment.
- **New learning and continuing professional development (CPD) opportunities will be needed** to attract new entrants, overcome 'access-to-land' issues, and upskill all those engaged under a new farming and environmental policy.
- **A new approach that integrates the environment into the farm business model and a new way of paying for environmental services is needed**, incentivising action and re-imagining the range of 'countryside products' that can be delivered at all levels.
- **R&D will be needed to plug any gaps in knowledge and change needed in farm practice** to deliver an improved environmental performance and capitalise on associated opportunities.
- **Farmers in the uplands and other marginal areas may need dedicated support** to improve and re-position their businesses to respond to delivering natural and cultural outcomes.
- **An overhaul of the existing relevant or appropriate legal frameworks will be required** in order to realise all of the changes foreseen in delivering this new approach.

2. Reform within the CAP

Please rank the following ideas for simplification of the current CAP, indicating the three options which are most appealing to you:

- a) Develop further simplified packages
- b) Simplify the application form
- c) Expand the online offer
- d) Reduce evidence requirements in the rest of the scheme

We believe the Government needs to send clear signals now about the future destination of a new agricultural system to help farmers and other land managers adapt ahead of the progressive phase-out of Direct Payments. A clear priority as part of this is to improve access to Countryside Stewardship whilst developing new ways of paying for better environmental outcomes as part of the transition period.

It is important to recognise that many of the choices made during the development of Countryside Stewardship (CS) were based on the need to address recognised flaws in the design of Entry Level Stewardship (ELS). Specifically, these were:

- the inclusion of ‘deadweight’ options that absorbed much of the available budget but provided little additional benefit;
- free choice that allowed applicants to select the least demanding and generally least effective options;
- a standard payment per hectare, meaning there was no incentive to select the more effective but onerous and expensive options;
- a lack of targeting, and inadequate advice and support to allow applicants to identify the relevant high priority interventions – coupled with a perceived lack of monitoring and enforcement; and
- setting a quantitative target of high uptake (70% of UAA) without adequate attention to the quality of the proposals.

The design of the mid-tier of CS sought to address these flaws, by:

- removing key low value options, such as basic hedgerow maintenance and low input grass;
- introducing targeting to direct applicants to the higher priority interventions for their land and competition to drive up the quality of applications; and
- changing the payment structure to a ‘per option’ basis, to establish the principle that the more an agreement holder did, the higher their payment.

This highlights the need to consider the potential consequences of both operational and technical proposals in the final scheme design.

Many changes were driven by a smaller budget, set against a wider range of policy objectives¹, and are still evidentially sound. CS has been beset by a variety of implementation challenges (primarily linked to the IT system) and disproportionate audit and control requirements, meaning that the scheme has never functioned in the way that was envisaged. These issues have earned CS a negative response from applicants, who are now less likely to recommend wider adoption to less committed applicants.

¹ URS (2014) Strategic Environmental Assessment of the Draft Rural Development Programme in England: Environmental report. Report for Defra.

Previous schemes that were well-received and taken up by farmers include Environmentally Sensitive Areas (ESAs); this was locally-targeted with limited prescriptions, simple application and administration, but with high advisory input. ELS was also simple to access, with a wide choice of standard prescriptions, but had low levels of advisory input and administration and so was let down by the 'easily achievable' prescriptions which resulted in little environmental gain. In addition, the recent Small Grants scheme was an online, standard, targeted and limited offer, which appears to have been quickly and easily understood and well-received and supported by farmers and their agents. The recently launched CS scheme offers are in a similar format; whilst too early to assess uptake, initial feedback also suggests keen support for this process.

These examples contrast with the current CS scheme and suggest that a simple, clear application process, which is therefore cheaper to apply for, requires less administrative support, and means less cost and risk to the applicant, is a vital feature of a successful future scheme. Despite poor access to Broadband in some rural areas, we believe the future scheme should have an online format, as far as possible, but with a paper-based option available to those who need it.

We therefore welcome the focus in this consultation on addressing process and implementation issues, as opposed to the core design of the scheme; we have previously welcomed the 'wildlife packages' launched in 2018 as a smarter way of applying for CS that maintain the focus on evidence-based design.

Based on the above, our suggested priorities for further improvement (in order of preference) would be:

1. **Develop further smarter (simplified) packages** - readily understandable packages with an attractive generic tier accompanied by a menu of more targeted, locally-relevant options and packages;
2. **Simplify the application form** - and provide a paper version for farmers currently unable to access rural IT;
3. **Expand the online offer** - and create easily navigable web pages complementary to but not limited by the gov.uk website which has proven to be difficult to access and search; and
4. **Reduce evidence requirements in the rest of the scheme** - especially where excessively costly and onerous (eg the requirement to provide sequential soil samples to justify eligibility for low input pasture); ensure that assessments look at the overall scheme performance and outcome measures, as well as individual components; and acknowledge earned recognition where schemes utilise local accredited advisers, eg FWAG, RSPB, TWTs, etc.

How can we improve the delivery of the current Countryside Stewardship scheme and increase uptake by farmers and land managers to help achieve valuable environmental outcomes?

Just as important and urgent is the need to improve the administration of CS. Delays in responding to requests for application packs, offering agreements and making payments, compounded by issues such as multiple requests for the same evidence and significant issues with mapping, have made applying for CS a difficult experience.

In turn, this risks undermining the very concept of agri-environment. It is therefore of the utmost urgency that Defra improves the delivery CS, both to increase the delivery of environmental outcomes now, and as a platform to engage and prepare farmers and other land managers for the new Environmental Land Management (ELM) scheme.

To do this, six things need to happen:

1. Payments to existing Countryside Stewardship and Environmental Stewardship agreement holders must be made on time from now onwards.

2. Offers for agreements starting on 1 January 2019 must be made well in advance of this start date.
3. When application packs are requested, they must be sent out within 10 working days.
4. Defra must improve the consistency of all other aspects of the service that applicants receive, by addressing issues such as multiple requests for the same evidence, issues with mapping and the registration of land.
5. Ensure there are sufficient resources in the organisations that help deliver the schemes on behalf of the Government (Natural England, Forestry Commission, etc) to cope with the associated processes. For instance, that there are enough Archaeological Advisers within Natural England (or whoever takes on the task) to address the historic environment element of the Stewardship application process.
6. Consider establishment of a 'hardship' fund or mechanism to support farmers and other land managers if payments are held up due to system administration problems.

With the recent transfer of transactional functions from Natural England (NE) to the Rural Payments Agency (RPA), Defra will need to give the RPA stretching performance indicators against these three processes (applications, agreement offers and payments), providing percentage based targets by a given date for payments and agreement offers, and time bound targets for processing application requests.

We have some concerns relating to the transfer of responsibility for administering the future ELM scheme from NE to the RPA. Whilst NE are expected to keep their advisory role (and will be freed from a considerable amount of administrative work) we are concerned by the prospect that this might lead to the RPA taking on the leading role in new scheme development. This role and the remit to ensure the ELM scheme (and associated technical advisory capacity and customer service) delivers for the environment should sit with NE, with the RPA role being to deliver the scheme as efficiently and effectively as possible.

Defra should also provide an assurance that resources transferred from NE to the RPA will be used to improve the experience of applicants when applying for Countryside Stewardship.

In addition to these 'transactional' improvements and assurances on future design and delivery, Defra should:

1. **Deliver against the 2017 Conservative manifesto commitment to “...help Natural England to expand their provision of technical expertise to farmers to deliver environmental improvements.”** This will be essential to ensure NE can service the increased demand from expiring Higher Level Stewardship agreements between 2019-2022 and beyond, and will add credibility to the commitments in this consultation to increase the provision of technical advice, critical to the piloting and roll-out of the new ELM scheme;
2. **Increase the opportunities for third parties to support the implementation of Countryside Stewardship, especially the higher-tier.** NE was able to process in excess of 2,000 HLS agreements every year partly due to a partnership with third party advisers such as agronomists, land agents, NGOs and Farming and Wildlife Advisory Groups (FWAGs). Capacity for Countryside Stewardship higher-tier applications is effectively limited to 500 for a variety of reasons, and increasing the opportunity for third parties to partner with NE could help address this (eg Historic England); and
3. **Increase investment in scheme promotion, training and 'one-to-many' advice.** Learning the lessons from Environmental Stewardship, NE has previously been highly successful and proactive in promoting agri-environment schemes. Countryside Stewardship is a voluntary incentive that needs selling, not a purely transactional experience such as the Basic Payment Scheme.

The four areas of focus suggested by this question could help to improve Countryside Stewardship but more important will be some more basic improvements to implementation and ensuring that NE, in particular, has the resources to provide the required level of advice. This may include some delegation to approved bodies.

In adopting any improvements as preparation for the new ELM scheme, Defra should consider carefully how those farmers who either do not have access to a computer or may find the new gov.uk website difficult to navigate (compared to the now defunct Environment Agency's "What's In Your Backyard?") are adequately supported.

It is also important to retain a strong legislative baseline during and beyond the transition. We therefore support the retention but simplification of accompanying cross-compliance rules, allowing a more effective and proportionate approach to be taken which improves outcomes for the public whilst reducing bureaucracy for farmers and other land managers. For example, whilst enforcement of cross compliance breaches concerning soil and water should continue to be challenged under the current provision, a simple system of spot fines proportionate to the impact should be considered as part of simplification and ensuring cost effectiveness. Cross compliance could also be better linked to CPD training courses or guidance to create a positive and professional developmental experience for farmers, as well as being more 'outcome-focused' as part of best practice.

We do also welcome the pilot small capital grants scheme as the likely forerunner of the format for capital grant applications in future i.e. smarter, targeted and having a lower administration cost. In terms of the *Countryside Stewardship Historic Buildings Capital Grant*, we would like to make the following points:

1. We understand the vital link between maintaining cultural heritage features of the countryside as the basis for tourism and other rural industries.
2. We recognise that degradation and loss of traditional farm buildings (through functional redundancy and the loss of a capital base for their ongoing maintenance) is a significant issue.
3. Capital options for their repair have been an important component of agri-environment schemes since their inception. We appreciate that they often tended to be fully or oversubscribed.
4. We also understand that spend on capital grants for historic buildings has been low in recent years, partly due to limited NE expertise to process applications.
5. It is therefore an interesting proposal to focus resources within five National Park areas and trial the administration of conservation expertise via National Park Authority staff.

If the pilots are successful, it may enable such administration to be utilised elsewhere and provide a useful mechanism to address the loss of traditional farm buildings in the landscape as we move towards a new ELM system.

We would be happy to help Defra with the reform of the current CAP and design of the new programme in any way we can. Whether that is using information from our landholding to help with understanding how aspects of the simplification or smarter process and new scheme are likely to work – prior to testing in practice – or working with our farm tenants and other partners to trial elements of either approach in different landscapes or farming systems.

3. An 'agricultural transition'

What is the best way of applying reductions to Direct Payments?

We welcome the proposal to run an 'agricultural transition' period from the end of the 'implementation period' in 2020. Any lack of clarity over the transition period or over the content and operation of a future Environmental Land Management (ELM) scheme is likely to increase uncertainty for farmers and other land managers. The Government should therefore carry out as much of the necessary testing and piloting work as early as possible in order to be in a position to provide confidence in what a future ELM scheme and broader system will look like, how long it will take to get there and the level of funding that will be available.

In particular, the Government needs to commission an independent assessment of the scale of funding necessary to meet its environmental objectives and any other public goods required. Joint work by the RSPB, National Trust and Wildlife Trusts has already found that £2.3 billion a year alone will be needed to meet existing environmental outcomes, notwithstanding new ambitions or targets. This represents a five-fold increase on what farmers and other land managers currently receive through agri-environment schemes. Allowing some funds for new ambitions and a wider package of support, it seems reasonable to maintain the current £3.1bn annual level of public funding for farming for the foreseeable future.

We recognise that the phasing out of Direct Payments will create a period of uncertainty and volatility for many in the farming and land management community, but we believe it is in the best interests of all farmers and other land managers that they are prepared as early as possible for the introduction of a new system by providing a clear 'road-map'. Whilst we can see the logic of imposing disproportionate reductions based on size, we recognise that this could introduce incentives to artificially split businesses and complicate arrangements for administration.

We support the view that the simplest and fairest way to impose a reduction would be a universal stepped percentage reduction each year, regardless of size. Similar phasing has been used previously as part of the transition from historic to area-based Single Farm Payments in England. A universal stepped reduction of payments for all recipients would be simple to understand and administer, and send a clear message to all recipients to start addressing their business decisions accordingly. For this reason, we would support the broad application of progressive reductions across all farm types and sizes.

We do not have a specific view on payment bands or percentage reductions but believe this should be designed in the most efficient way so as to phase out Direct Payments whilst repurposing this funding in order to properly develop and deliver a new system predicated on public money delivering public goods. We have always maintained that farmers and other land managers who deliver the most public benefit should get the most from any public funding, and this remains our view. The National Trust already spends all of the money we get from the CAP on conservation, but we accept that in the future the amount of support the Trust gets itself might well fall. The critical thing is that any money liberated through the phasing out of Direct Payments is used to support the delivery of public goods.

We recognise that many upland and marginal farming systems are vital to maintaining some of our most important habitats, species and landscapes but which are particularly vulnerable to a departure from the CAP. Whilst we do not believe that public money should continue to be spent simply to keep farm businesses afloat, we do believe there to be scope for dedicated transition support to those most vulnerable. For instance, this might involve making smarter and extending current agri-environment agreements or bringing forward targeted ELM contracts more rapidly, rewarding those delivering the most public benefit, to avoid a gap in support and to provide upland farms with every opportunity to earn back any lost monies in return for delivering public goods. However, a new approach to public payments delivering public goods must go beyond the income

foregone model, enabling payments that take more account of the value to society of the public goods delivered, a 'natural capital model'. There should also be help to overcome some of the financial and social challenges seen in the uplands, for instance by providing farmers with targeted advice and access to business skills development opportunities. Taken together, this will help upland farms move to more profitable farm business models that deliver environmental outcomes.

As we move from Countryside Stewardship to the new ELM scheme, coinciding with the phasing out of Direct Payments, it is important to build understanding and consensus, and to help farmers and other land managers prepare for this new system of incentives and support. One way will be to engage more farmers and other land managers directly in the **co-design process** of developing and trialling aspects of the new scheme, and communicating the purpose and merits of the new approaches. This will be especially important given the scale and pace of the changes proposed and given that natural capital is a new underpinning concept with which many farmers will not be familiar. It will also be important for the Government to make clear to farmers that we are departing from a system of entitlements and that farms will not automatically qualify for financial support under the new system.

We welcome Defra's plans to trial and pilot a new ELM scheme as being necessary to enable a bold new approach to be adopted, whilst minimising as many operational issues as possible. In addition to focusing on the administration challenges and how the scheme could work, there must be time and money devoted to establishing which partners will be involved in delivery, what will be delivered and how environmental outcomes will be delivered in any "white-space" that may be created as a result of moving towards a new plan or outcomes-based approach. Consideration should also be given to the accelerated risk of damage associated with any funding gap, that in the short term some farmers may be left with no option but to intensify their practices in order to remain operational. We therefore recognise that there is merit in moving towards the adoption of a multi-tier ELM scheme, with a base tier widely available and subject to minimum 'cross compliance' type requirements and a higher tier with more locally-targeted options.

Alongside developing and rolling-out a new system for delivering public funding, new sources of private finance should also be developed. The National Trust is working with the Green Alliance to develop and test a concept for leveraging complementary private sector investment in paying for environmental outcomes such as reduced flood risk². Taking such a "hybrid" approach to funding will not only help underpin and enhance the natural environment in its ability to provide important services to society - including producing food - but will open farming to new funding opportunities.

What conditions should be attached to Direct Payments during the 'agricultural transition'?

We would recommend that Defra retains and simplifies cross compliance rules and their enforcement but explores carefully how the greening rules can be removed gradually ('a' and 'b').

During the transition, we support the retention and simplification of cross compliance rules and their enforcement, as long as this does not lead to a weakening of the regulatory baseline concerning GAEC and SMRs. We recognise that there is a risk that the eventual loss of universal BPS support could lead to a disregard of cross compliance from land managers left outside any future schemes, especially the non-statutory GAEC standards concerning soil and boundaries. It follows that there needs to be an effective mechanism to compel adherence with both statutory and non-statutory (GAEC) compliance requirements during and after the transition period.

We are therefore especially keen to understand how Defra plans to ensure that all farms, irrespective of whether they receive public funding, are subject to same cross compliance rules and/or baseline requirements in future, crucial if Defra is to meet its goal of delivering a better and richer environment in England. This would include all regulations and legislation currently covered

² See https://www.green-alliance.org.uk/natural_markets_project.php.

by cross compliance, including aspects not covered by other UK or EU law, such as hedgerow-cutting restrictions or whatever mandatory requirements are subsequently agreed, building on the approach taken with the new 'Farming Rules for Water'.

Current Pillar 1 'greening' requirements create excessive administration and cost burden for minimal environmental gain and therefore represent poor value for money. If greening requirements are removed during the transition period, any funding attached to this should be invested in Countryside Stewardship and used to support the introduction of the new ELM scheme at the earliest opportunity.

Breaches in cross compliance could be more positively managed through a combination of penalties (possibly utilising fixed penalty, spot fines) and advice or training to avoid repeat offences and promote adoption of best practice. We believe that the bulk of support needs to be directed to the new ELM scheme and associated land management capital payments and that both during and after transition such support should be linked to the level of public goods or environmental outcomes delivered but that there needs to be some level of association with land area to begin. This would enable tracking of payments and a reference for cross compliance, monitoring and reward.

We have serious concerns about the possible consequences of the radical proposal (c) to make payments to current recipients who are allowed to leave the land, using the payment to help them do so. Firstly, the proposal could be challenging to administer and justify, especially as it would not be clear why the taxpayer should pay or what benefits they would receive, even if it did free up land for new entrants who would embrace the new ELM scheme. Secondly, by definition, funding retirement will 'export' money out of the system and there could be a risk of depleting funds available for ongoing land management and associated capital schemes as these schemes take off. We could only support the proposal for a retirement scheme if it was limited and did not significantly impact on the funds available for the new ELM scheme. If payment recipients are allowed to use decoupled monies to exit farming, we also recognise that this would need to be considered alongside a revised new entrant scheme to help new entrants access additional support (eg enhanced payments and or support and capital for start-up costs for a limited period).

What are the factors that should drive the profile for reducing Direct Payments during the 'agricultural transition'?

The factors which should drive the profile for reducing Direct Payments during the agricultural transition period are:

1. **Environmental need.** Environmental declines present an urgent challenge, and a transition period longer than five-years will exacerbate current declines and make recovery more difficult. A five year transition with new policies implemented from 2022, as suggested by the consultation paper, secures a balance between environmental need and certainty for farmers and other land managers;
2. **Certainty.** It is important that farmers and other land managers have certainty on the length and nature of any transition as soon as possible, but also, and even more importantly, what the system they are transitioning to will look like and offer. The principles and framework for the new ELM scheme must be defined before the transition period so that farmers and other land managers can use the transition period to make decisions about their business and begin to prepare for the new system;
3. **Value for money.** If change is not 'locked-in' within the current Treasury commitment to current levels of farm support, there is a significant risk that funding currently associated with the CAP will be redirected to other spending priorities. A transition that prioritises a shift to farming and land management spending that provides better value for money is therefore in the interests of the sector as a whole, as well as the taxpayer; and
4. **Clear monitoring, advice availability and enforcement to ensure value for money.**

How long should the 'agricultural transition' period be?

We are acutely aware that getting the transition from current to future policies, and potentially a new regulatory baseline 'right' is a make or break issue, and one that therefore needs significant attention from Government and stakeholders alike. Of the possible timeframes identified in the evidence pack that accompanies the consultation paper, a five year transition starting in 2020 is our preference, for the reasons given above.

During this period, the vast majority of funds generated through progressive reduction of Direct Payments (and phase-out of Pillar 1 'greening') should be reinvested in Countryside Stewardship, repurposed for the piloting process and ensure the widest possible accessibility to the new ELM scheme at the start of its proposed roll-out in 2022. Any delay could result in a permanent reduction of the overall funding level available to farmers and other land managers, cause a hiatus in cash-flow for businesses, and likely further exacerbate the declines in nature as a result.

Based on the above, our priorities for an 'agricultural transition' are therefore:

1. **Early clarity on Defra's preferred approach and what the end goal looks like**, with a focus on how the Department intends to deal with the inherent risks of this process, and how to manage the dependencies between old and new policies (eg how to re-deploy receipts from progressive reductions and Pillar 1 greening towards new ELM payments without the loss of funding);
2. **The majority of progressive reduction payments go toward the new ELM scheme**, in a way that is consistent with the Secretary of State's commitment that the primary public good in a future policy will be environmental enhancement;
3. **Continued investment in Countryside Stewardship in the short term**, to establish the foundations for the new ELM scheme, engaging and preparing as many farmers and other land managers as possible;
4. **A new ELM scheme and broader system introduced from 2022**, following pilots in the intervening 2020-2021 period;
5. **Removal Pillar 1 greening requirements but ring-fence associated funding**, for Countryside Stewardship (in the short term) and assisting with the piloting and full accessibility of the new ELM scheme from 2022; and
6. **Agreeing a new mandatory baseline that would apply to all farms**, irrespective of whether they are in receipt of public funding now or in the future.

4. A successful future for farming: farming excellence and profitability

How can we improve the take-up of knowledge and advice by farmers and land managers?

Ranked in order of preference, our top three priorities would be:

1. Better access to skills providers and resources – to include support for experienced and qualified mentoring (c)
2. Developing formal incentives to encourage training and career development – *the aim being to improve the 'professionalism' of the farming industry through CPD, making it a more attractive career* (d)
3. Encouraging benchmarking and farmer-to-farmer learning – *to include facilitated groups such as 'Cluster Farms' and Making Continuing Professional Development (CPD) a condition of any future grants or loans – a direct opportunity to exchange knowledge/expertise and share best practice* (a) and (e)

Much formal and informal **sharing of insights and experiences** already takes place between farmers and other land managers, and Government can encourage those which best support knowledge-transfer. Innovative and entrepreneurial activity by farmers and land managers respected by their peers is a powerful influence in the farming community. The obverse to this is that some are hesitant about doing things differently because of the fear of being seen to fail by their peers. We strongly endorse grassroots farmer-to-farmer research and innovation, such as 'Field Labs' pioneered by the Innovative Farmers Network, as well as the Farm Cluster concept, designed as a bottom-up approach under the guidance of a lead farmer or other land manager.

On **advice provision**, we feel this must be targeted towards those that need it most, i.e. farmers and land managers that are causing environmental harm, where integration of productivity and environmental goals is essential, and where high quality environmental outcomes are sought. There is poor understanding in some farming sectors of the costs of production and the fact that more extensive systems which are better for the environment may also be the most financially beneficial.

We believe there is a need for a properly funded, well-coordinated and streamlined advice service that adheres to a set of clearly defined objectives set at a local level. There must also be a broad base of advice and support, across variety of disciplines. This is critical to help farmers and others manage the change ahead and for the successful implementation of basic rules and environmental incentives. Advice provision should be separated from enforcement activities, and multiple advice initiatives should be rationalised to provide greater coherence and ensure high standards. Advice should be coordinated at a local level, pooling skills and resources. Facilitation groups under Countryside Stewardship and Cluster Farms are good examples of such practice. At a national level, the Farm Advice Service has been a useful way for farmers to access advice on existing cross compliance requirements and Countryside Stewardship.

In terms of **agricultural education and training**, the sector is not adequately equipping the next generation of farmers with adequate knowledge on basic issues such as avoiding harm to soil, water and biodiversity and how relatively simple management changes can improve pollinator health and soil fertility, or training in techniques like integrated pest management (IPM). These issues are often afforded minimal focus, if any, on the agricultural college curriculum, which instead focuses on the kind of areas covered by the options presented in this consultation. We therefore believe there is a pressing need to invest in new education and training opportunities, both college and CPD, to help equip farmers with the necessary skills and understanding to help achieve the government's environmental ambitions whilst also capitalising on new opportunities this will bring. This would include improving ecological awareness and understanding, as well as affording farmers with basic skills in landscape and heritage conservation. This is essential if food production and environmental enhancement are to work hand-in-hand. We also see real

opportunities to introduce CPD modules on relevant topics that might be part of the requirements to access funds or enter schemes in future.

What are the main barriers to new capital investment that can boost profitability and improve animal and plant health on-farm?

Ranked by order of the biggest issues, we believe the main barriers are:

1. Uncertainty about the future and where to target new investment – *long-term planning is often frustrated by changing policy ‘goal-posts’, volatility of commodities and ‘price-taking’ not ‘price-making’ (b)*
2. Insufficient access to support and advice – *coupled with the need for simplification of bureaucratic processes and grants, there is a need to access business and farm/environmental advice (a)*
3. Difficulties with securing finance from private lenders – *high risk, limited returns (c)*

In terms of capital investment and farm profitability, there are a number of issues that need to be addressed. On average, farms made a loss of £5,000 in 2015/16 on their farming activities. As we transition to a new system based on public money paying for the delivery of environmental public goods, we need to develop a new approach which overcomes these low levels of profitability.

Firstly, we believe that an approach focused on protecting and enhancing our natural assets will be fundamental to retaining our ability to produce food and maintain competitiveness well into the future. This will not only enhance the environment upon which food production depends but also open up farming to new investment opportunities that can help build a more sustainable and financially viable sector. Building a resilient and vibrant natural environment and a stable climate are therefore as important as adopting new technologies.

We also need to find alternative, realistic ways to overcome the existing income foregone model for agri-environment paying instead for services delivered, especially important in the uplands and other marginal areas of farming.

And we see strong potential for new sources of private finance to complement and enhance public funding in helping restore the environment and natural processes that benefit wider society. For example, the National Trust is working with the Green Alliance to develop and test the concept of ‘Natural Infrastructure Schemes’ where farmers would work together to leverage private sector investment in paying for environmental services such as reduced flood risk³. Such an approach would represent a new revenue stream and help improve farm business profitability when integrated as part of the farm business model.

In addition, a new Environmental Land Management (ELM) scheme could put more responsibility and control into the hands of farmers and other land managers, helping them better understand and integrate their environmental assets into their business model and move to more profitable ways of farming and land management. The National Trust is already trialling a ‘payments for outcomes’ approach with some of our tenant farmers in the Yorkshire Dales which is already helping them to better understand the capacity and potential of their farms. Early indications from our experience is that success factors include the provision of on-the-ground advice from trusted advisers, opportunities for knowledge-transfer between farmers, and giving farmers more responsibility to recognise what “good looks like” so they can self-monitor.

On the specific subject of upland farming, two other issues are important. One is that farm businesses need access to debt finance, but lending decisions are changing with banks now asking farm businesses to demonstrate their capacity to service an overdraft or loan, requiring a

³ See https://www.green-alliance.org.uk/natural_markets_project.php.

robust profit and loss account (which most upland farms struggle to achieve). The second relates to the long-term decline and change in structure facing the UK's sheep industry; there is a belief that, to make a profit, single unit farm holdings will have to grow to new minimum economic sizes. The trend we are now seeing, on its own, will cause upheaval in farming and push small farmers out of the future rural economy.

We recognise that increased production and more farming subsidies are not the solution. Farm business managers, large and small, could mitigate against detrimental effects by taking back control of their own businesses; key to this is a genuine understanding of financial performance. There are a number of options such as reshaping the upland farm business model, becoming involved in the downstream food supply chain and expanding non-food activities and using land in new ways. However, not all farmers are willing or able to diversify for a variety of reasons, and, in some areas, businesses such as tourist accommodation are already saturated.

There is a need to work with the smaller farms, both tenanted and owned, by firstly promoting planning and budgeting for the future and encouraging farmers to adapt quickly. Secondly, assisting farm businesses to move from a primarily production based business model to one motivated by margin, preferably margin derived from a value-added driven producer group. Focusing on profitability and added value produce can also align strongly with environmental outcomes in the uplands, as well as improving financial resilience. In this way, upland farmers can position themselves to benefit from a future policy centred on public goods, whilst putting natural environment and cultural heritage credentials at the heart of a brand that will really resonate with consumers.

We also need a more positive, and simpler, tax regime for repair, maintenance and conservation. Work to historic buildings is subject to 20% VAT, yet no VAT at all is charged on new buildings. This creates a perverse incentive to demolish old buildings, rather than repairing, maintaining or altering them. VAT should be permanently reduced to 5% on the repairs, maintenance and improvement of dwellings. This would release investment, boost jobs and reduce the carbon effects of demolition and re-build. Repair and maintenance work of historic buildings generated £9.7bn in construction sector output in 2015.

What are the most effective ways to support new entrants and encourage more young people into a career in farming and land management?

1. Access to business and farm / environmental advice
2. Access to capital / small capital grants / loan schemes (currently a big barrier, but low interest loans are an option to overcome this, as well as new entrant scheme incentives)
3. Fresh Start and allied initiatives that can help prepare new entrants
4. Access to land – often dependent on retirement and succession of existing farmers; retirement schemes may play a part, but so too might tax reform
5. Apprenticeship schemes
6. Structured CPD to improve professionalism – creating a more attractive career opportunity
7. Reintroducing farming into primary and secondary curriculums, and support industry initiatives such as the 'Countryside Classroom'
8. Ensure that tertiary education includes farming and wider environmental dimensions
9. Encourage small scale enterprises including horticulture as starter units
10. Encourage *Land Partnership* approaches including 'share-farming' as a way in for new entrants

Barriers to entry include access to land, availability of mentoring or apprenticeship schemes, access to capital, professionalism of the industry and a lack of mixed and 'share' farming opportunities. High land prices fuelled by land speculation and planning reforms, as well as the capital required to initially stock even a modest farm, can make it especially difficult for anyone outside of farming to start a new business, especially if they have to buy or rent high cost land.

The National Trust would testify that it is not for a lack of new entrants but a lack of opportunity and support which needs to be addressed.

As one solution to the 'access' issue, we believe a review of current property tax law is required in order to address the impact that it has on land prices and subsequent impact on new entrants to the sector. This should be examined alongside the challenge that property tax relief creates in terms of discouraging anything but "farming" according to strict HMT rules⁴ – especially important where environmental management is destined to become a core focus of a future agriculture policy. Another major issue is the simple lack of farms available to new entrants; with the demise of the 'county farm' model and the continuing barrier that AHA tenancies present, this issue is only likely to get worse without urgent attention.

In addition to succession-planning for existing farming communities, more apprenticeships should be made available allowing new entrants to take on land or small farms in order to gain valuable experience of running a business and a foothold in the industry – including as it relates to environmental enhancement. Developing and facilitating more flexible partnership arrangements between existing farmers and new entrants with new ideas, business objectives and expectations should also be more widely promoted and supported. The National Trust new entrant apprenticeship scheme⁵ is one example of how such mentoring could work - which could form part of a wider ELM system involving the ELM scheme, conservation covenants, new market-based mechanisms and tax incentives.

With a new focus on environmental land management and associated objectives, existing tax incentive schemes designed to achieve favourable environmental outcomes might actually help to make such a new way of farming more attractive. This would provide an additional, tax efficient and complementary route to securing environmental public goods.

Does existing tenancy law present barriers to new entrants, productivity and investment?

In relation to the existing legal framework to implement most if not all of the changes discussed above, an overhaul of the existing relevant or appropriate legal frameworks would be required.

This includes the law relating to agricultural tenancies in so far as it prevents the proposed changes being made. In particular, a barrier is that landlords can be reluctant to grant tenancies of a sufficient length to enable the farmer to secure the necessary investment and develop a sustainable future plan for the holding. Of particular note are short tenancies which do not give confidence to invest in infrastructure or land, such as soil health.

This barrier is created by the lack of ability for landlords to terminate the tenancy when a default arises without having to rely upon forfeiture. The process surrounding forfeiture is lengthy, costly and uncertain and as a result benefits neither tenant nor landlord.

Another potential barrier is whether the traditional formal tenancy agreement is always the right starting point. To give land owners confidence to explore alternative structures, greater promotion, investment and improved legal frameworks are required. Such alternative structures could be set up to share risk and investment between farmer and landowner.

In the review of any of the legal frameworks, it is important to ensure that the Tenancy Law and Public Law relevant to this area complement each other to achieve the conservation objectives.

⁴ Under current HMT rules, farmers can pass on some agricultural property free of Inheritance Tax, either during their lifetime or as part of their will. Agricultural property that qualifies for Agricultural Relief is land or pasture that is used to grow crops or to rear animals intensively.

⁵ See <https://www.nationaltrust.org.uk/news/rent-a-farm-by-the-sea-for-just-a-pound-a-year>

5. A successful future for farming: agricultural technology and research

What are the priority research topics that industry and government should focus on to drive improvements in productivity and resource efficiency?

Our top three options ranked by order of importance would be:

1. Improving environmental performance, including soil health (*e*)
2. Managing resources sustainably, including agro-chemicals (*d*)
3. Data driven smart and precision agriculture (*c*)

Given the intended focus of future public funding for agriculture on environmental enhancement, a research priority should be to explore the gaps in knowledge and changes needed to farm practices to deliver an improved environmental performance from farming. “Improving environmental performance, including soil health” is an appropriate theme, but it is not entirely clear how this differs from “managing resources sustainably, including agro-chemicals”. We feel particular attention should be given to the required whole farm system changes and approaches needed to maximise an environmental public goods approach.

This would include assessing the opportunities to improve farm profitability alongside environmental outcomes (including business planning and natural capital accounting methodologies), examining what a shift to delivering environmental public goods would mean for different farming systems and landscape character areas/historic character, and how we move beyond an income-foregone and management costs approach to achieving the desired land management outcomes sought within a WTO framework.

Exploring what mechanisms are needed to leverage funding from the private sector to complement an environmental public goods approach should also be accelerated. Based on our work with the Green Alliance to develop and test the ‘Natural Infrastructure Scheme’ concept⁶, this would include government and industry supporting experimental collaboration between farmers and businesses to develop a small number of exemplar projects and transactions to overcome the barriers to developing functioning markets in environmental services. It would also mean providing research funding to fill gaps in knowledge in the effectiveness of the management interventions needed, as well as to overcome barriers to its widespread adoption.

How can industry and government put farmers in the driving seat to ensure that agricultural R&D delivers what they need?

Our top three options ranked by order of importance would be:

1. Encouraging a stronger focus on near-market applied agricultural R&D (*a*)
2. Bringing groups of farms together in research syndicates to deliver practical solutions (*b*)
3. Accelerating the ‘proof of concept’ testing of novel approaches to agricultural constraints (*c*)

Compatibility with natural systems must be central to all research and development in future. This should include a focus on reducing inputs and research into techniques as much as technology. This means not just development of high-tech equipment, but building into research and development the practicalities of using this equipment in real-world situations. Model farms, where novel approaches, techniques and technology can be applied in practice, with oversight from research panels, where monitoring of outcome can be carried out and which can host farmer visits,

⁶ http://green-alliance.org.uk/resources/Natural_infrastructure_schemes_in_practice.pdf

such as the RSPB's Hope Farm, and GWCT's farm at Loddington, are good examples of how this could work. A network of such places, run by different partners, and covering different land use types and farming systems would be hugely beneficial. The National Trust would be interested in exploring whether we have any farm holdings or whether we have any advisory or research support that could contribute to this effort.

What are the main barriers to adopting new technology and ideas on-farm?

1. Access to rural Broadband, IT and skills
2. Reluctance of existing less-technological farms to adopt new technology
3. Time constraints to enable knowledge-transfer
4. Access to one-to-one or group advice workshops
5. Access to near-market research demonstration

Government and industry tend to overlook tried and tested low-tech methods of maintaining and building fertility and crop quality, including low-input practices such as legume-rich leys, holistic grazing management, green manures, agro-forestry, minimum tillage, cover crops, companion planting and maximising effectiveness of natural predators among others. With the right support, such techniques are likely to deliver environmental outcomes faster, and on more farms, than some of the high technology solutions currently in development. The focus on and investment in high technology should therefore be balanced with attention to and investment in other ways to raise efficiency, productivity and environmental performance, particularly agro-ecological approaches.

Some of the barriers to adopting new environmental market-based approaches range from conditioning the interest of and making services "buyable" for the private sector (eg water, electricity, food, drink and agriculture, insurance, and transport), adopting appropriate contract, payment and enforcement terms, and overcoming the known legal, management and cultural challenges to securing the participation of farmers. Things that Government can do to help facilitate transactions of this kind would include creating a new model for the governance of land use with the legal authority to sanction land management that results in excessive degradation or stress to natural or cultural resources, introducing financial incentives to drive investment in improving farmland ecosystems (eg the Natural Capital Allowance model as proposed by Green Alliance, making investments in environmentally beneficial land management eligible for tax relief⁷), and consulting on the ways to ensure commercial land management enhances rather than depletes natural assets (eg new requirements to prepare natural capital accounts, either on an annual basis or when land is sold)⁸.

⁷ http://green-alliance.org.uk/resources/Natural_investment_futureproofing_food_production_UK.pdf

⁸ http://green-alliance.org.uk/resources/protecting_our_assets.pdf

6. A successful future for farming: labour - a skilled workforce

What are the priority skills gaps across UK agriculture?

Our top three options ranked by order of preference are:

1. Business / financial (a)
2. Risk management (b)
3. Research – *near market* (f)

What can industry do to help make agriculture and land management a great career choice?

1. Continuing Professional Development (CPD)
2. Curriculum links – engineering, biological sciences
3. Promotion of leading farms

How can government support industry to build the resilience of the agricultural sector to meet labour demand?

1. Supporting the provision of education: primary, secondary and tertiary curriculum
2. Permitting seasonal labour from beyond the UK

Environmental services need to feature more strongly in tertiary (sustainable) agricultural education. There is a lack of coherence in courses as sections are often isolated which distorts the ability to look at a farming enterprise as a single, interwoven entity. Universities and colleges need to respond to the ask of industry, so if a new scheme is incentivising environmental goods as an enterprise (as opposed to income foregone) and requires payment based on results, it is something that colleges need to respond to as employers will be looking for graduates who can advise and deliver environmental goods as well as they can deliver a crop of wheat.

There is a need to share knowledge and demonstrate new sustainable techniques. For example, holistic managed grazing of permanent pasture and herb-rich leys has great potential to improve soil health, build soil organic matter, reduce reliance on inputs and improve profit margins. Training courses are limited and there is a clear need for greater availability of courses and demonstration sites.

Allied with sustainable land use, a form of farmer training to address business planning needs would be highly beneficial, particularly to assess costs of production and adapt to new subsidy regimes.

7. Public money for public goods

Which of the environmental outcomes listed below do you consider to be the most important public goods that government should support? Please rank your top three options by order of importance:

- a) Improved soil health
- b) Improved water quality
- c) Better air quality
- d) Increased biodiversity
- e) Climate change mitigation
- f) Enhanced beauty, heritage and engagement with the natural environment

Of the other options listed below, which do you consider to be the most important public goods that government should support? Please rank your top three options by order of importance:

- a) World-class animal welfare
- b) High animal health standards
- c) Protection of crops, tree, plant and bee health
- d) Improved productivity and competitiveness
- e) Preserving rural resilience and traditional farming and landscapes in the uplands
- f) Public access to the countryside

Are there any other public goods which you think the government should support?

We welcome the Government's definition that public goods "are things that benefit more than just the recipient and cannot be rewarded by the market alone." We do not feel it appropriate however to rank the public goods that the Government should support because they are all functionally interrelated and, we believe, there are synergies to be achieved from adopting a 'whole benefits approach'. Indeed, we would go further and say that it would be difficult to achieve benefits to one area, say increased biodiversity, without also improving soil and water health, air quality, mitigating and adapting for climate change and without engaging the public with all these things and with the other things they value and that have in the past been delivered or supported through farming, including beauty and our cultural heritage. We therefore argue that all six environmental outcomes should be afforded equal priority.

Similarly, we do not think it appropriate to rank the non-environmental public goods listed in the consultation paper. Each makes a significant positive contribution to society and therefore should be afforded equal priority in any new policy. The exception to this is 'improved productivity and competitiveness' which is not a public good in the true sense, as explained below.

The UK National Ecosystem Assessment 2011⁹ described how land use change and pollution are the major drivers of change to ecosystems and the services they deliver. Climate change, although not a major driver at the moment, was predicted to become more significant as a driver of negative change; the State of Nature report 2016¹⁰ highlighted that nature remains under pressure across England, with a 56% decline in a sample of >3,000 terrestrial and freshwater species between 1970 and 2013. Work to inform the report also identified that agriculture has been, and remains, the biggest driver of biodiversity decline across the UK. Declines in pollinators in recent

⁹ UK National Ecosystem Assessment (2011) The UK National Ecosystem Assessment: Synthesis of the Key Findings. UNEP-WCMC, Cambridge.

¹⁰ Hayhow DB, Burns F, Eaton MA, Al Fulajj N, August TA, Babey L, Bacon L, Bingham C, Boswell J, Boughey KL, Brereton T, Brookman E, Brooks DR, Bullock DJ, Burke O, Collis M, Corbet L, Cornish N, De Massimi S, Densham J, Dunn E, Elliott S, Gent T, Godber J, Hamilton S, Havery S, Hawkins S, Henney J, Holmes K, Hutchinson N, Isaac NJB, Johns D, Macadam CR, Mathews F, Nicolet P, Noble DG, Outhwaite CL, Powney GD, Richardson P, Roy DB, Sims D, Smart S, Stevenson K, Stroud RA, Walker KJ, Webb JR, Webb TJ, Wynde R and Gregory RD (2016) *State of Nature 2016*. The State of Nature partnership.

decades have also been dramatic and of wide concern, and are already known to be affecting the health of ecosystem services. The repercussions of continued declines in key groups of pollinators for agriculture and the health of our environment would be profound.

Soil degradation in England and Wales costs £1.2 billion per year¹¹, and agricultural management is both the single biggest cause of pollution incidents in England, and the sector responsible for the greatest number of water bodies failing to meet Good Ecological Status. Agriculture accounts for a tenth of all UK greenhouse gas emissions and, according to the Committee on Climate Change, the "...voluntary nature of the industry-led GHG Action Plan to reduce emissions in this sector and the lack of effective monitoring do not provide confidence of future abatement."

Our rural heritage is also under great pressure, including traditional farm buildings, field boundaries, ancient monuments and parkland. These are important in their own right: they underpin the beauty, diversity and sense of place of our countryside and they contribute to a rural tourism industry worth £19bn a year. The changing economics of farming has caused the loss of hedgerows, archaeological features, parkland, water meadows and historic field systems, and the obscuring of cultural landscape remains by encroaching scrub. In addition, the functional redundancy of traditional farm buildings has led to disinvestment and dereliction; half have already been lost (at a rate of 15 each day) and many of the remainder are in decay. Eighty-four per cent of scheduled ancient monuments are in agricultural land holdings (including the uplands and common land) and agricultural management is the single greatest threat to them, affecting 34% of the monuments on the heritage at risk register.

The 2010 paper 'Making Space for Nature'¹² identified the need to create a more coherent and resilient ecological network by focusing on more, bigger, better, and joined up habitats in order to create more connected landscapes. Leaving the EU and reforming agricultural policy provides a clear opportunity to achieve these landscape scale outcomes and the 'step change' identified as necessary by Professor Lawton in his foreword to the report. Besides setting out objectives to provide better outcomes for nature, the report also sets out the objective "*to provide accessible natural environments rich in wildlife for people to enjoy and experience*". Lawton recognised in his report the importance of ensuring that people are engaged with and enjoy the natural environment – an essential public good in its own right if we are to secure their endorsement of a new system of support predicated on the delivery of environmental public goods.

We therefore believe the Government is right in seeking to put the protection and enhancement of the environment at the centre of a future policy based on public money delivering public goods, given the significant body of evidence that identifies the urgent requirement to achieve more sustainable land management and the range of benefits that this would provide in terms of rural economic growth, ecosystem services and rural tourism. There is also now a large degree of consensus among environmental organisations and many farmers and farming bodies around the need to channel public money towards delivering environmental public goods – including our own thinking in this area¹³. At present, large proportions of subsidy paid to farmers and other land managers are tied to land area as Direct Payments. However, while there have been some benefits for the environment, on the whole these payments have failed to help our wildlife and declines of farmland birds and other species continue apace, alongside degradation of assets like soil and water.

The agricultural sector is associated with a **wide range of public goods** which are increasingly valued by society, and we welcome the Government's recognition that these public goods require support from the public purse. This includes caring for historic and traditional buildings, archaeological features, and cultural landscapes, diverse wildlife (including species

¹¹ Graves A, Morris J, Deeks L, Rickson RJ, Kibblewhite M, Harris J, Farewell T & Truckle I. (2015) The total costs of soil degradation in England and Wales, *Ecological Economics*, 119 399-413.

¹² J.H., Lawton & Brotherton, Peter & V.K., Brown & C, Elphic & A.H., Fitter & J, Forshaw & R.W., Haddow & S, Hilbourne & R.N., Leafe & M.P., Southgate & Sutherland, William & T.E., Tew & J, Varley & G.R., Wynne. (2010). *Making Space for Nature: A Review of England's Wildlife Sites and Ecological Network*.

¹³ <https://ntplanning.files.wordpress.com/2017/06/paper-2-national-trust-post-cap-series-public-benefits-june-20171.pdf>

reintroductions), clean and plentiful supplies of water, healthy soils, carbon sequestration, access and recreation, clean air, stable climate and flood management. These are a mix of social and environmental goods, which is not unsurprising given the fundamental interconnectedness of people and land.

The National Trust supports the existing approach which treats heritage as a public good, which is set out in the 1986 Agriculture Act – s17C. The Act emphasises the importance of *“the conservation and enhancement of the natural beauty and amenity of the countryside (including its flora and fauna and geological and physiographical features) and of any features of archaeological interest there”*. Any future Environmental Land Management (ELM) scheme should retain this recognition of the historic environment as a public good alongside public goods that are part of the natural environment. However, whilst the 1986 Act has meant that heritage has long been treated as public good in the ‘duty to balance’ in relation to agricultural activities, this language needs to be updated and reflected in the forthcoming Agriculture (or ‘Land Management’) Bill.

Similarly, we recognise that the provision of permissive access is a public good and should be rewarded within future schemes.

Woodlands and forestry in themselves are not public goods but more a means by which public goods such as carbon sequestration and flood mitigation may be secured. Woodlands and forestry can also contribute to habitat restoration and biodiversity outcomes

Farming also plays an important role in delivering more **intangible public policy objectives**, such as rural vitality and food security. However, there are proxies or other representative issues that will contribute to delivering these objectives, so any future public payment should only play a small role in securing them. Our joint analysis with Wildlife and Countryside Link¹⁴ points to a stronger intervention logic for public goods associated with the environment. This is strengthened further if we focus specifically on the high degree of market failure associated with environmental outcomes, and associated alignment with the Treasury Green Book, and the scale of need for environmental land management objectives.

Food security often becomes conflated and confused with the idea of self-sufficiency or ‘food sovereignty’. Put simply, if the aim is food sovereignty, then the aim of policy should be to reduce food exports. If the aim is food security, then the policy should be to have good relations and a trade policy to support imports and international supply chains, but not at any cost. And if food security is about the ability of the UK to respond to a global crisis that interrupts global food networks, then a more optimal approach might be to support farmers and other land managers to deliver other outcomes during ordinary times - for instance farming for environmental results - but retaining their ability to increase production if a crisis was to emerge. Protecting and enhancing the asset base, like soil, pollinators and water, will therefore be fundamental to retaining our ability to produce food well into the future, with less reliance on imported or unsustainable inputs.

Some would also argue that food production should be the core basis on which the UK farming sector should be supported. However, subsidising food production is strictly constrained by WTO rules and food is a good with distinct private characteristics: farmers already receive a return for producing it, so they should be better rewarded through the market, not through public funding. Reference to the First and Second World Wars as examples for food policy are simplistic, misleading and largely irrelevant to the nature of contemporary global risks to the UK’s food supply and natural asset base.

Clearly there is a legitimate role for Government in supporting a productive agricultural sector, resilient to external shocks, and there is a role for public policy in these two areas. However, higher productivity in itself is not a public good, whereas securing the resilience of food

¹⁴<https://www.wcl.org.uk/docs/Link%20farming%20and%20land%20use%20policy%20paper%20FINAL%20Sep%202021%207.pdf>

production by protecting and enhancing the natural resources on which it depends is. Previous analysis, much of it by Defra, builds a compelling case for why the focus of any future policy should be on maintaining and improving the environment and the value of our natural capital. This would open up the opportunity to target more public support on the key environmental and social public goods that are in undersupply from agriculture relative to the scale of societal demand - but which also have a twin purpose in the part they play in securing a more sustainable sector and vibrant countryside.

Given the strength of consensus about the rationale for intervention to secure environmental goods and services, we therefore strongly believe that a focus on the natural and historic environment is the best way of securing a long-term funding settlement and a sustainable future for the sector. And a new policy framework should help with the introduction of new market-based mechanisms to complement and enhance the impact of such public funding.

Even so, Defra will need to adopt clear definitions for individual public goods as they are open to interpretation. Equally important is that the outcomes that are delivered through provision of public goods have associated targets and milestones.

8. Enhancing our environment

From the list below, please select which outcomes would be best achieved by incentivising action across a number of farms or other land parcels in a future environmental land management system:

- a) Recreation
- b) Water quality
- c) Flood mitigation
- d) Habitat restoration
- e) Species recovery
- f) Soil quality
- g) Cultural heritage
- h) Carbon sequestration and greenhouse gas reduction
- i) Air quality
- j) Woodlands and forestry
- k) Other (please specify)

What role should outcome based payments have in a new environmental land management system?

How can an approach to a new environmental land management system be developed that balances national and local priorities for environmental outcomes?

How can farmers and land managers work together or with third parties to deliver environmental outcomes?

The future of farming is inseparable from the future of our countryside and the environment. We believe that farmers will continue to have a critical role in producing safe and sustainable supplies of food, and they will have a crucial part to play alongside other land managers in improving biodiversity, protecting vulnerable and finite natural resources upon which our economy depends, caring for our landscapes and heritage, looking after the welfare of livestock, helping to address growing challenges like climate change and flooding, and providing opportunities for recreation and reconnection with the natural world and food production by the public. We believe that these should also be seen as 'products of the farmed landscape' that farmers and others can unlock in a sustainable way. Indeed, for some sectors, the production of food may not be the most valuable output in the future.

Overall, we are pleased to see the plans for new Environmental Land Management (ELM) schemes and associated capital grants – paying farmers and other land managers for 'producing' environmentally beneficial outcomes, moving towards a more effective application of the "polluter pays" principle and all underpinned by natural capital principles. We also applaud Defra's intention to investigate ways to improve scheme administration and participant involvement based on past experience, incentivise landscape and catchment level collaboration by farmers and other land managers to secure environmental improvements, and explore new innovative approaches with the potential to secure enhanced outcomes and improved value for money. This includes reverse auctions, conservation covenants and market-based mechanisms to leverage private investment into the restoration of natural capital.

Achieving the key outcomes as outlined in the consultation paper will require incentivising action and re-imagining the business model and the 'range of countryside products' on individual farms, across a number of farms and across whole catchments or landscapes. In our Wildlife and

Countryside Link sustainable farming and land management policy paper from 2017¹⁵, we proposed how a new environmental land management system might be designed and implemented.

At the individual farm level, widespread environmental issues such as declines of farmland biodiversity, air and diffuse water pollution, improvement in soil function and maintenance of landscape character, historic environment and recreational access point to the need for similarly widespread action; a combination of regulatory approaches to enforce minimum standards and targeted interventions. These issues often need small scale, relatively straightforward interventions, such as hedgerow restoration and the temporary establishment of sown cover crops, alongside some more demanding interventions such as the creation of wildflower-rich habitats, the planting of individual trees, small copses or shelterbelts (in the right place), or the cessation of cultivation across Scheduled Ancient Monuments. These issues also require significant numbers of interventions, implemented by most farmers and land managers.

Targeted environmental land management interventions are required as well as comprehensive ones to address issues that need more complex management. Such interventions would include the maintenance, restoration and creation of priority habitats (designated or otherwise) including wetlands and native broadleaf woodland, creating wood-pasture or establishing agro-forestry systems, species recovery programmes, supporting strategic natural flood risk management and significant non-productive capital investments in support of land management outcomes. These issues by their scale and complexity may require collaboration between farmers and land managers and third parties (eg advice providers or private beneficiaries such as water companies) to deliver environmental outcomes. The National Trust has a number of places where testing – in theory and in practice – would be possible, including Exmoor, Shropshire and the Lake District.

Similarly, a more targeted scheme should be used to support restoration or land management change to bring heritage assets into favourable condition, and could be used to help mitigate the effects of climate change. Recommendations include:

1. Rural productivity measures which deliver the conservation of heritage through capital investment in projects to regenerate assets, aid diversification and tourism or build rural craft skills;
2. Restoration of redundant significant traditional farm and other buildings through agri-environment capital options;
3. Delivering favourable management of all significant but unscheduled heritage assets through agri-environment capital options;
4. Capital works on nationally important but non-scheduled / listed heritage assets through agri-environment capital options;
5. Capital works on “at risk” Scheduled Monuments, Registered Parks and Gardens and Registered Battlefields through agri-environment capital options; and
6. Adaptation of heritage assets for business diversification, community uses or tourism.

Establishing what is required for delivery through the ELM scheme for each of the outcome types listed (a-j) could involve clarifying the desirable outcomes and actions needed at the national level, while providing guidance about what could be done at a local level, and giving plenty of scope to refine what this means at the landscape or catchment, or other sub-regional scale and also to encourage delivery of outcomes in combination, wherever possible. Consideration also needs to be given to ensuring sufficient flexibility exists within a new scheme to allow greater adaptability to climate change in future, especially where natural processes are important (eg coast, rivers and uplands).

For habitats, there is readily available information about their extent and state including: Natural England’s protected sites and priority habitat information; the 2011 UK Ecosystem Assessment;

¹⁵ <https://www.wcl.org.uk/docs/Link%20farming%20and%20land%20use%20policy%20paper%20FINAL%20Sep%202017.pdf>

and the Ecosystem Accounts produced by the Office for National Statistics (so far for Freshwater, Farmland and Woodland, with Semi-natural grasslands, Mountains, Moorlands and Heathlands, and Coastal Margins and Peatlands at scoping stage). All of this information provides a consistent assessment of the extent and condition of natural capital assets. The 2010 paper 'Making Space for Nature'¹⁶ was an expert assessment of what was needed to create a more coherent and resilient ecological network for England. The recommended approach set out the need for action to create/restore more, bigger, better, and joined up habitats.

Besides providing better outcomes for nature, 'Making Space for Nature' also sets out the objective *"to provide accessible natural environments rich in wildlife for people to enjoy and experience"*. Professor John Lawton recognised in his report the importance of ensuring that people are engaged with and enjoy the natural environment – essential if we are to increase the commitment of all individuals to protecting and enhancing our environment as well as secure their endorsement of a new system of countryside support. Critical here will be maintaining access and enhancing the existing rights of way network (such as the National Trail) and our open spaces so as to maximise people's engagement with nature and the role farmers and other land manager play in this. The National Trust has immense experience to share with public access being a core part of our constitutional purpose. Of particular relevance is some work we are exploring with the RSPB centred on increasing public engagement with coastal farmed landscapes and more strategically examining different 'pathways' for connecting people to nature.

If information, such as that set out above, could be identified for each outcome type and used to establish what action should be carried out nationally, and what action is needed sub-regionally or locally, then local delivery teams could combine such intelligence with their own knowledge and information about local requirements to inform what should be made available via local schemes.

In terms of the balance between local and national priorities, we feel that it is important for there to be a consistent 'national offer', which is the reason why our Wildlife and Countryside Link proposals retain a national element building on established mechanisms. However, there is a significant need to develop and pilot new approaches that can drive innovation in this area, to encourage new local approaches and use of novel mechanisms. Recognising and rewarding farmers and other land managers as innovators in this respect will be critical. One way to secure the balance mentioned could be to allow areas to develop a 'local offer' to deliver against a range of local, national and international priorities, which would be funded where capable of delivering better outcomes than would otherwise be achieved through a national approach. A variety of actors could be involved in delivery, such as groups of farmers, Catchment Partnerships, National Parks and NGOs, as well as new vehicles such as the Catchment System Operator model being explored as part of the 25 year environment plan, where made responsible for undertaking a range of coordination activities in place of environmental regulators.

Building on the Countryside Stewardship Facilitation Fund, there should also be funding for landscape scale collaboration, spanning all aspects of the policy. This should include existing approaches like the Nature Friendly Farming Network and the Farm Cluster concept, the latter helping a number of farmers work more cohesively together in their locality, enabling them to collectively deliver greater benefits for soil, water and wildlife at a landscape scale.

The upland and arable 'payments for outcomes' trials being carried by Natural England and the Yorkshire Dales National Park Authority (YDNPA), and the National Trust's own payment for outcomes trial (working with the YDNPA and Buglife) will demonstrate what outcomes can best be delivered through this approach. Payments for outcomes involves defining and explaining what "good environmental outcomes" look like, placing the onus on the farmer to understand what is needed and building farmers' confidence in using their own knowledge and skills to deliver and to carry out self-monitoring to check their progress. The approach does require plenty of early advice

¹⁶ J.H., Lawton & Brotherton, Peter & V.K., Brown & C, Elphic & A.H., Fitter & J, Forshaw & R.W., Haddow & S, Hilbourne & R.N., Leafe & M.P., Southgate & Sutherland, William & T.E., Tew & J, Varley & G.R., Wynne. (2010). *Making Space for Nature: A Review of England's Wildlife Sites and Ecological Network*.

and a collaborative approach. The case for using this approach to deliver habitat and species improvements looks reasonably clear; we are now testing soil and pollinator outcomes, and more development is needed to determine whether water quality and quantity and other outcomes (cultural heritage, recreation, carbon sequestration, etc) are best delivered through this or other means.

We hope that a new funding scheme will follow a similar model, focusing on early advice to farmers and other land managers and working in collaboration with them to deliver, in a dynamic way, environmental outcomes that are relevant to and suitable for local contexts, whilst integrating the environment into the farm business. Our experience of working with our tenant farmers has clearly demonstrated the critical value that collaboration and provision of on-the-ground, good quality, trusted and broad advice plays in achieving the quality of outcomes sought.

Provision is also needed to ensure payments remain attractive (moving beyond the income foregone and management costs model) and that land managers have appropriate information to assess this value alongside other land uses. The long term nature of delivering and maintaining appropriate land uses to deliver public goods also needs an improved approach to offering longer-term land management agreements. This is essential to give farmers the confidence to implement or invest in long-term land use changes, such as flood and coastal management or habitat creation.

We also encourage the government to examine the use of innovative mechanisms such as reverse auctions, used effectively by Wessex Water to reduce nitrogen pollution, or allocating some level of funding to be used as 'seed-funding' to help pump-prime the establishment of private PES schemes. We also believe there is merit in exploring the scope for new market structures or vehicles that can help draw in private match-funding from others, such as water companies, other private businesses and local communities – or even help integrate such funding as part of a single funding model.

As such, we see the targeted element of a future ELM scheme and system as using a combination of both results ('outcomes') and action-based payments, with flexibility and the ability to combine options and measures to maximise outcomes. These targeted contracts could comprise a selection of different public and privately funded tools to achieve a variety of complementary outcomes.

An example of this complementary approach might be where a targeted 'payments for outcomes' scheme focused on strategic flood risk management (requiring landscape collaboration) creates the platform for farmers and other landowners to enter into new market-based mechanisms that benefit a broader range of public and private interests and *vice versa*. Another example could involve interventions designed as part of a private contract between a group of farmers ('service providers') and a group of beneficiaries where these yield additional 'stackable' benefits such as the creation of habitat, increased biodiversity or new recreational opportunities. The ongoing maintenance and enhancement of these additional, non-target benefits could be supported by a publicly-funded ELM scheme or other instrument as part of a broader system. What such a scheme looks like however would need further exploration and consultation. What is certain however is that to enable this scheme and any other proposals to work, a fundamental review and change to the legal framework will be required where appropriate and relevant.

The Law Commission proposed conservation covenants as being of the benefit to the conservation and heritage sectors in 2014. It appears that if these were introduced in the vein proposed by the Law Commission in 2014, these could complement elements of a new legal framework. It would appear an ideal opportunity for the introduction of conservation covenants to be brought forward on the agenda alongside the other proposals in this consultation. The National Trust is well-positioned and particularly interested in the potential of covenants to secure investments in natural and cultural assets into the long-term. Examples might be agreeing to manage land in such a way that archaeology is not ploughed and scrub kept clear - or where specifying land use practices that

optimise water management and wider public benefit, as seen in the Netherlands where floodplain land-use is being re-purposed to manage water services.

On new sources of private investment, which could complement a new ELM scheme, the National Trust is working with the Green Alliance to develop the concept of 'Natural Infrastructure Schemes'¹⁷. This 'shared enterprise' approach would see public and private beneficiaries working together with farmers and other land managers to deliver environmental services such as reduced flood risk (eg river meandering, tree planting, creation of riparian strips). Such an approach would not only help to enhance more traditional ways of protecting and improving the natural environment but help make farming more environmentally sustainable, profitable and therefore resilient.

Overall, the Government's proposals are a positive step in the right direction and hope this will be reflected in an Agriculture (or 'Land Management') Bill. However, more detail is urgently needed - both for the environment and for farmers and other land managers - on the level of funding post-2022 and there are several key elements we believe need to be part of any new ELM system:

1. **Public money should be directed towards public benefits**, particularly environmental outcomes (for soils, water, the climate, biodiversity and others), protecting heritage assets (a large number of which are found on farmland, eg 84% of scheduled ancient monuments) and improving access.
2. **A strong regulatory baseline, combined with enforcement**, to ensure that there is no degradation in environmental standards.
3. **New innovative approaches**, like conservation covenants, tax incentives and market-based mechanisms, such as payments for ecosystem services, which work hand-in-hand with a new system for delivering public finance.

¹⁷ See https://www.green-alliance.org.uk/natural_markets_project.php.

9. Fulfilling our responsibility to animals

Do you think there is a strong case for government funding pilots and other schemes which incentivise and deliver improved welfare?

Should government set further standards to ensure greater consistency and understanding of welfare information at the point of purchase? Please indicate a single preference of the below options:

- a) Yes
- b) Yes, as long as it does not present an unreasonable burden to farmers
- c) Perhaps in some areas
- d) No, it should be up to retailers and consumers
- e) Other (please specify)

*if you answered 'perhaps in some areas', please elaborate.

What type of action do you feel is most likely to have the biggest impact on improving animal health on farms? Please rank your top three choices from the below list, in order of importance:

- a) Use of regulation to ensure action is taken
- b) Use of financial incentives to support action
- c) Supporting vets to provide targeted animal health advice on farm
- d) Making it easier for retailers and other parts of the supply chain to recognise and reward higher standards of animal health
- e) An industry body with responsibility for promoting animal health
- f) Research and knowledge exchange
- g) Transparent and easily accessible data
- h) An understanding of animal health standards on comparable farms
- i) Other (please specify)
- j) N/A – Cannot rank as they are all equally important.

How can the government best support industry to develop an ambitious plan to tackle endemic diseases and drive up animal health standards?

We welcome the Government commitment to maintaining and improving animal health and welfare and appreciate there are aspects that fall between what the market might be expected to deliver and government intervention. We also appreciate that health and welfare are mutually dependent and see roles for a combination of regulation, support and guidance to achieve improved outcomes.

While the list is difficult to rank due to interdependencies, we do recognise the opportunity for government to improve the uptake and adoption of animal health planning for livestock keepers. The universal adoption of appropriately designed and regulated animal health planning could form a comprehensive means of improving health and welfare, including ensuring the five freedoms are observed; following appropriate bio-security; actively monitoring disease; targeting veterinary medicine usage; and recording issues and interventions.

Our particular recommendations are as follows:

1. **Earned recognition** for health planning meeting minimum standards within verified assurance schemes could avoid duplication of records.
2. **CPD continual professional development should be introduced** for relevant areas such as Livestock Health planning to ensure a level of competence, compliance and recording.

3. **Incentives such as via small grants for infrastructure improvements on farm** – eg for livestock handling / quarantine facilities could be dependent on / linked to receiving technical advice and CPD.
Maintain and increase support for industry led disease reduction initiatives such as SCOPS against Sheep scab, BVD Free England programme, CheCS etc.
4. **Retain and strengthen the Farm Animal Welfare Council** – to continue to provide independent guidance as required
5. **Maintain and increase support for near market research** eg via AHDB and others
Continue to develop the TB Advisory Service and consider extending to link with local vets
6. **Continue to support vaccination measures** to reduce bTB in wildlife such as Badger Edge Vaccination Scheme
7. **Develop better enforcement procedures** based on risk and acknowledging lower risk associated with earned recognition from higher assurance schemes
8. Support an accredited mandatory '**method of production**' labelling scheme.

10. Supporting rural communities and remote farming

How should farming, land management and rural communities continue to be supported to deliver environmental, social and cultural benefits in the uplands?

We welcome the specific emphasis given to uplands and other remote farming areas. We particularly welcome Defra's plan to set out a 'clear vision for the uplands' as part of a future agricultural policy. That vision will need to take into full account the special circumstances of upland areas, including their natural and structural disadvantages such as climate and difficult terrain, access to key infrastructure and markets for farm produce, as well as their under-utilised major advantages, namely the provision of ecosystem services that benefit wider society.

As such, the uplands are irreplaceable repositories of vital natural capital such as blanket bog, ancient woodland and high quality landscapes to which we attach great importance as a nation. These landscapes, often devoid of the wholesale changes of the last century witnessed in urban and many lowland areas, also contain some of our best preserved historic landscapes and their component archaeological monuments. Together with other types of marginal farmland, if properly managed and supported, they offer great potential to deliver increasing levels of public and private benefits through a future Environmental Land Management (ELM) system. These include the provision of clean water, flood management, carbon storage, enhanced landscapes, public access and recreation and biodiversity.

However, increasing evidence suggests that fixed-site objectives and standard management options are increasingly difficult to maintain in the face of large-scale environmental change. Indeed, ecological insight emphasises the need to manage and understand a range of ecosystem processes which might impact upon the integrity of protected areas. A careful balance will therefore need to be struck and in some cases a shift achieved from managing sites to managing dynamic ecosystems in the future. Wild Ennerdale and Carrifran are good examples of a shift to a more naturalistic approach.

Our uplands and coastal areas are often extremely important visitor destinations and nationally designated landscapes such as National Parks and AONBs where the asset is the landscape, its wildlife and cultural heritage, but where the providers and carers of these assets cannot generally secure income from the millions of people that visit every year. There is a clear opportunity under the new ELM scheme to reverse the trend over the last 10 years to largely remove public access from agri-environment schemes. There is also an opportunity to explore the complementary role of market-based mechanisms such as PES schemes and taxation to support maintenance and investment in infrastructure (environmental and access) on which a significant part of the rural economy and wider society depends. This will be vital to securing a healthy environment and thriving rural areas in the future.

As noted in the compendium of evidence, in many cases these systems will be economically marginal with very low levels of income from agricultural production. Grazing livestock had the lowest average farm business income by farm type in four of the past five years with only lowland livestock farms earning less than those in Less Favoured Areas in 2015/16. Just over a fifth of English farms (22%) made no Farm Business Income in 2015/2016, many of which were upland livestock farms. It is therefore essential that in upland areas the proposed transition away from Direct Payments should be managed with great care and that the approach to future funding for the provision of public goods receives special consideration. This requires a clear statement from Government of the purpose of livestock farming in the uplands, where the delivery of public goods may now far outweigh traditional agricultural food production.

Firstly, the reduction and phasing out of Direct Payments will need to be progressive and take place over a sufficient time to provide the stability and confidence required for all farms to adjust, invest and develop their businesses, including succession planning. This process will need to work

hand-in-hand with the phased introduction of a new ELM system. This might mean a longer transition period or bringing forward targeted ELM contracts for these areas more rapidly to avoid a gap in support and farms going out of business.

Secondly, we believe the design of future policy and specifically structuring of ELM contracts and subsequent payments requires particular consideration. In particular, this will mean giving special consideration to how such a model can fit within World Trade Organisation (WTO) rules on domestic farm support. We are concerned that if payments continue to be based on an income foregone model, they will be too low to support upland farmers and other land managers.

Currently, under the WTO Agreement on Agriculture (AoA), farm support is 'Green Box' compliant (deemed non-trade distorting and so not restricted) where environmental payments are limited to income foregone or extra costs associated with farming in a disadvantaged area. However, WTO rules allow much scope to make payments effective and attractive to farmers and other land managers¹⁸. Defra should engage in further work to assess the potential for additional approaches which would pay for the total costs of services delivered. We believe this approach would enable the required support to deliver public benefits, without other forms of untargeted payments.

As part of this, Defra should consider the variability in the uplands; the economic incentives needed in some areas to effect positive change may be greater than others. For example, dairy farming is a major land use in the Peak District and experience to date after decades of agri-environment schemes is that the incentives that have been provided are not enough to dissuade many from an increased production route. This has been to the detriment of the environment, such as habitat loss and pollution, despite being in a designated landscape. This applies equally to other parts of the country, both upland and lowland.

Thirdly, not all upland areas are managed in ways that are sympathetic to wildlife, heritage, landscape or wider public goods. Despite perception, they are in fact often heavily degraded particularly in respect of wildlife and natural habitats and their wider functioning for water and carbon. Facilitating the transfer of flocks and herds between marginal and lowland areas (transhumance) to balance grazing pressure needs to be well regulated yet straightforward to relieve grazing pressure. The move away from Direct Payments towards a public goods model should be designed so that targeted payments enable restoration of natural habitat in the uplands with lower levels of grazing, restoration of grassland, heathland, scrub and wetland habitats, grip blocking and rewetting of degraded peatland to restore blanket bog and regeneration of native woodland. Defra should also consider how an ELM system could support a natural processes-led approach to management in the uplands, as well as more generally. There are some great examples of this being tried both in the UK and abroad but not particularly in the English uplands.

Perhaps one of the best examples domestically is the Knepp Estate in West Sussex. How can we expand and crucially financially support this approach in the uplands? A move to a more natural upland environment in some places will bring great benefits. It is not about rewilding the whole uplands but introducing a diversity of approaches that overall deliver more for society in the future. A further approach is applying agricultural, ecological and plant science to the creation of new swards and habitats that can deliver environmental gain whilst still providing nutritious forage such as pollinator swards. Can we construct a new scheme that can cope with a diversity of outcomes or even in the case of natural processes a more open approach to outcomes? There is much to be gained if it can and there is a real opportunity to effect major positive landscape scale changes in the uplands but only if there is a clear vision, comprehensive approach and strong steers.

And based on Defra's PES pilots and other private sector initiatives, we believe there is real potential for functioning markets based on private investment in environmental restoration. For

¹⁸ Within the WTO framework there are many ways of structuring a domestic support policy that deliver significant public goods in a way that is attractive to the land use sector. Assuming a genuine desire exists to deliver public goods and not distort trade, WTO rules should be considered something to check future proposed UK domestic support against, but they are not a credible constraint to effective policy delivery.

example, power network operators investing in upstream land to reduce the costs of flood protection, or food businesses investing in soil restoration on the farms in their supply chains. There are already some small-scale examples in place or underway, such as Wessex Water's "N-Trade" (a market in reducing farmers' nitrogen inputs to improve water quality) and the Green Alliance and National Trust's work on 'Natural Infrastructure Schemes' (focusing initially on flood risk mitigation). A range of Government actions will be needed to overcome a variety of barriers and support their development, as we have documented in our reports with Green Alliance¹⁹.

We also recommend that Government recognise the particular relevance of commons to upland areas and their huge importance in the delivery of public benefits. The commons present a unique and complicated situation requiring a dedicated package of tailored and deliverable policies and funding mechanisms to support environmental outcomes. Currently, agri-environment schemes can be for 10 years rather than five, which is very welcome, but there is currently little flexibility regarding local options and a limited range of outcomes. In addition, the application process can be more complex since all commoners have to reach an agreement on the scheme. We strongly recommend that at least one pilot of the new ELM scheme takes place on an upland common.

There are a number of challenges facing rural communities and businesses.

Please rank your top three options by order of importance:

- a) Broadband coverage
- b) Mobile phone coverage
- c) Access to finance
- d) Affordable housing
- e) Availability of suitable business accommodation
- f) Access to skilled labour
- g) Transport connectivity
- h) Other, please specify

With reference to the way you have ranked your answer to the previous question, what should government do to address the challenges faced by rural communities and businesses post-EU Exit?

While we do not wish to rank the options in the way requested, we believe there are other imperatives that must accompany the recommendations we set out above.

This would include helping small family upland farms to begin planning and budgeting for a more environmentally sustainable future, training for habitat management and better understanding of environmental outcomes, whilst assisting them to move from a primarily production-based business model to one motivated by margin, preferably margin derived from a value-added driven producer group.

Focusing on profitability and added-value produce can also align strongly with environmental outcomes in the uplands, as well as improving financial resilience. In this way, upland farmers and other land managers can position themselves to benefit from a future policy centred on public money for public goods, whilst putting natural environment and rural cultural heritage credentials at the heart of a brand that will really resonate with consumers. We believe this represents a major opportunity for both the uplands and other marginal areas, but for which the provision of good quality trusted advice will be critical to delivering the outcomes we seek from these areas in future.

Government policy should also acknowledge the role of the supply chain in the economics of upland farming and support the development, and where absent, provision of local facilities

¹⁹ See https://www.green-alliance.org.uk/natural_markets_project.php.

particularly for livestock such as abattoirs and cutting plants to reduce travel costs and enable local sales - including isolating butchering of value added produce so as to retain provenance. Such support would be of much value to producers and the local economy with the additional advantage of providing employment opportunities and training.

Provision of basic services to rural areas, such as Broadband and accommodation, is relevant to all remote rural areas in addition to the uplands, and vital for the general rural economy and encouraging new businesses. The Trust has a responsibility to promote the conservation of beautiful landscapes and, in fulfilling this responsibility, we will consider carefully the circumstances of each application to site telecoms masts on or near our land, ensuring that the full importance of the area in question to the wider public is fully taken into account in reaching a decision on the suitability of any such scheme. The Trust does recognise that there are instances where there is not a significant visual intrusion or where the least environmentally damaging and visually intrusive location may actually be on Trust property. We also recognise the strategic importance of a well-designed mobile telecommunications network, particularly for the emergency services in remote rural areas. In such situations, provided that the design and siting details are appropriate, the Trust will work closely with the relevant providers and statutory bodies to provide this. We fully recognise the growing importance of Broadband service to rural communities, for which delivery should be done well, and are in discussion with Defra to explore how we may assist further.

We welcome the references to working with the Ministry of Housing, Communities and Local Government on the shape of the UK Shared Prosperity Fund. This should recognise the specific challenges of particularly remote rural communities. Vibrant and diverse rural communities are an essential pre-requisite to deliver environmental public goods and sustainable farming. To thrive, rural communities need access not just to high speed and reliable Broadband services but also to good transport, affordable housing, education, health and local amenities. Initiatives such as the Growth Fund and LEADER have played a significant role in facilitating shared and new services in rural areas, in encouraging farm diversification and in developing or expanding new tourism facilities. Indeed, the National Trust has used such funding to respond to new markets such as activity tourism and wildlife spectacle tourism thereby stimulating economic growth through local supply chains and direct employment.

We therefore support the continuation of LEADER type approaches to rural development, particularly earlier iterations which allowed animation to develop projects, revenue and project funding, all with a bottom up approach and flexibility. There are many local food and product initiatives which have begun and are still flourishing due to LEADER intervention. For instance, Cumbria has an exemplary track record of delivering high quality and ambitious projects. Another example is LEADER funding used to create new all year round visitor facilities at Hardwick Hall, Derbyshire. This not only secured the positive reuse of unused Grade II* buildings on the 'At Risk' register but also directly created 14 new jobs in an area of high deprivation. Future policy should recognise the value of the local and regional food supply chain to upland farmers to secure producer incomes and contribute towards innovation, product development, distinctive and diverse produce and tourism. As a link to the Clean Growth Strategy, funding should incentivise the reduction of CO2 and other GHG emissions and promote the uptake of renewable energy installations in the rural housing stock. Much of rural housing stock is pre-war and of non-traditional construction requiring bespoke solutions.

To facilitate vibrant and sustainable rural communities will also require simplification of the post-agricultural transition period state aid regulations. Currently, in relation to diversification to non-agricultural businesses and new business growth, the State Aid regulations (ABER & GBER) are complex and confusing and can prevent, for example, the restoration of vernacular heritage buildings – often so important for defining places of high cultural significance – for positive new economic uses.

11. Changing regulatory culture

How can we improve inspections for environmental, animal health and welfare standards?

1. Greater use of risk-based targeting (a)
2. Greater use of earned recognition, for instance for membership of assurance schemes (b)
3. Increased remote sensing (c)
4. Better data sharing amongst government agencies (e)

We support streamlined inspections using greater risk-based targeting, increased remote sensing and better data sharing amongst government agencies. However, streamlining inspections must not compromise on ensuring compliance with regulation which must be achieved on all farms to deliver environmental outcomes. An element of random selection in identifying sites will also remain important.

We believe that Remote Sensing has the potential to dramatically improve the focus of inspections. To do this, research would be required into which techniques would be best for monitoring which asset classes. Agencies would need to share research and data. Ultimately, putting the data in the public domain would also increase transparency.

We also support greater use of earned recognition; however, the schemes employed need to adhere to all statutory requirements, and be subject to some form of inspection and enforcement regime, as an absolute minimum before this becomes an option.

Which parts of the regulatory baseline could be improved, and how?

Any future payment system must be underpinned by a strong legislative and mandatory 'good practice' baseline based on the polluter-pays-principle which safeguards the environment, and protects the interests of society. We would therefore like to see the current cross compliance rules replaced with a more effective and proportionate approach but one which applies to all farmers and land managers irrespective of whether they receive public support now or in the future – building on the approach taken with the new 'Farming Rules for Water'.

Regulatory measures alone will not enable us to reach aspirational and statutory environmental targets, but if properly designed and implemented effectively, they will make an important contribution.

The point at which the line should be drawn between 'polluter pays' and 'provider gets' should be addressed as part of any new policy framework. This line should be consistent and fair to farmers, taxpayers, other businesses (such as water companies) and beneficiaries of environmental services that arise from farmed land. There are five reasons why this is of critical importance:

1. All farmers and land managers must operate on a level regulatory playing field - many farmers adhering to environmental regulatory requirements express frustration that they 'do the right thing' whilst their neighbours 'take short cuts and get away with it'. This does not make for a cohesive sector and it is unfair on the vast majority of farmers who are keen to protect the integrity of their industry.
2. A consistent approach needs to be applied for all sectors with potential to affect the environment. For instance, excessive nutrients in waterbodies can come from a variety of sources and sectors and, in the interests of fairness and environmental protection, all of these sources need to be treated equally.

3. In order for the principle of 'public money for public goods' to work, a clear dividing line is required between what is minimum good practice and what should be paid for over and above this minimum threshold.
4. For the establishment of private sector funded schemes to deliver ecosystem service outcomes from farmland to flourish, the private sector needs a clear dividing line between the 'polluter pays' and the 'provider gets' principles. It is unlikely that their customers, shareholders and stakeholders will sanction expenditure on farming activities whilst fundamental poor practice continues unabated.
5. On the political level, tax payers (the ultimate funders of public sector payments) legitimately want reassurances that they are not subsidising poor environmental practice.

We believe any set of basic rules or requirements should be applicable to all land managers. This means that those who pollute should pay, and only those providing additional environmental services above the baseline of refraining from polluting should be rewarded. One approach to determining this baseline is to adopt the philosophy of the Water Framework Directive in acknowledging that 'low levels of distortion resulting from human activity' ('good status') are inevitable; hence an equivalent to this could be adopted as the line beyond which the polluter pays principle should be adopted.

The 'Farming Rules for Water' which specify mandatory requirements for the management of nutrients and soils, including the timing of fertiliser applications and other agricultural operations represent a statutory set of basic requirements. However, modelling suggests that only a small percentage reduction in phosphorus losses will be achieved, contributing only a very modest improvement to our freshwater environment. These are very much minimum standards that all farmers and other land managers should be meeting. This is a good start but these rules must be strengthened and be properly enforced if they are to have any impact on pollutant loads. At present, these regulations only apply to soil, nutrients and water - requirements covering a broader set of environmental objectives need to be established.

As with any set of basic rules or requirements, clear guidance is needed so that farmers and other land managers understand what is expected of them, and so that the rules are not too onerous to enforce. For instance, there are a number of terms within the 'Farming Rules for Water' which require clear definition such as 'reasonable', 'waterlogged' and 'significant'.

Heritage key asks for a future baseline would include preventing damage or destruction of heritage assets by including requirements for farmers and other land managers to:

- Abide by Scheduled Monuments legislation (this is already a GAEC measure underpinning the BPS) and Listed Building legislation
- Retain nationally important but non-designated SHINE features (particularly those in grassland; this is not currently a GAEC measure)
- Retain stone field boundaries (this is already a GAEC measure underpinning the BPS; no other existing measure protects these important assets)

Corresponding asks for the broadly accessible element of the future ELM scheme would be to incentivise owners to maintain heritage assets in favourable condition. This would include:

- Maintaining traditional farm buildings
- Taking archaeological features out of cultivation
- Minimum cultivation on archaeological features
- Managing scrub on archaeological features
- Managing archaeological features on grassland
- Managing archaeological features in horticultural and forestry works
- Maintaining traditional field boundaries
- Being incentivised to provide access/interpretation for heritage assets

In future, cross compliance and minimum standards could also be better linked to CPD training courses or guidance to create a positive and professional developmental experience for farmers and outcomes focused on best practice.

How can we deliver a more targeted and proportionate enforcement system?

1. Reduce evidence requirements where excessively costly and onerous. For instance, the requirement to provide sequential soil samples to justify eligibility for low input pasture.
2. Ensure that assessors look at overall scheme performance and outcome measures as well as individual components.
3. Acknowledge earned recognition where schemes utilise local accredited advisers, such as FWAG, RSPB, TWTs, etc. (*Earned recognition could help incentivise greater uptake of 'approved' assurance schemes. Currently, many assurance schemes are not good value for money for smaller producers*).
4. Self-reporting should be explored as a way of gaining trust and benefiting from the collation of management data.
5. Focus inspections on areas of highest risk, such as where land use impacts on river water quality (apply the same approach as used to bathing water quality in coastal areas).

The effective enforcement of basic rules or requirements is critical. Existing protocol is that enforcement officers will respond reactively to an incident but it is not common practice to undertake systematic checks to identify farmers and others contravening the rules. Recent data obtained by WWF highlights that the Environment Agency's current resources only allow for visits to 0.5% of farms each year. Even where serious pollution incidents have occurred, the Environment Agency has limited capacity to follow these up. Without a concerted enforcement programme, only a small proportion of farms will change their practices in response to any set of basic rules or requirements.

Enforcement of cross compliance breaches concerning soil and water are particularly under-represented in the current inspection regime. A simple system of spot fines proportionate to the impact should be considered as part of simplification and cost effectiveness.

We believe there is already a working model for enforcement of basic environmental measures, as demonstrated in Scotland with the Scottish Environmental Protection Agency (SEPA) regulation of the General Binding Rules. This more collaborative 'advice led approach' consists of proactively identifying problem farms, followed by a process of advice, cautions and fixed penalty notices as a last resort:

- Undertake a thorough baseline assessment of compliance, using this to target enforcement and assess uptake;
- Issue warnings to polluters and encourage them to take advantage of free advice to correct problems, followed up by a repeat visit to ensure compliance;
- Civil sanctions or prosecution incurred for failure to address issues, repeat or serious offences;
- Good practice rewarded with fewer inspections.

Of note, SEPA's approach is regarded as equitable and balanced by farmers in Scotland. It is also interesting to note that this model is directly in accord with the recommendations developed by the Independent Farming Regulation Task Force, established in 2011 by the coalition government.

12. Risk management and resilience

What factors most affect farm businesses' decisions on whether to buy agricultural insurance? Please rank your top three options by order of importance:

- Desire to protect themselves from general risks (e.g. – revenue protection)
- Desire to protect themselves from specific risks (e.g. – flooding, pests or disease)
- Provision of government compensation for some risks
- Cost of insurance
- Complexity and administrative burden of insurance
- Availability of relevant insurance products
- Other (please specify)

What additional skills, data and tools would help better manage volatility in agricultural production and revenues for (a) farm businesses and (b) insurance providers?

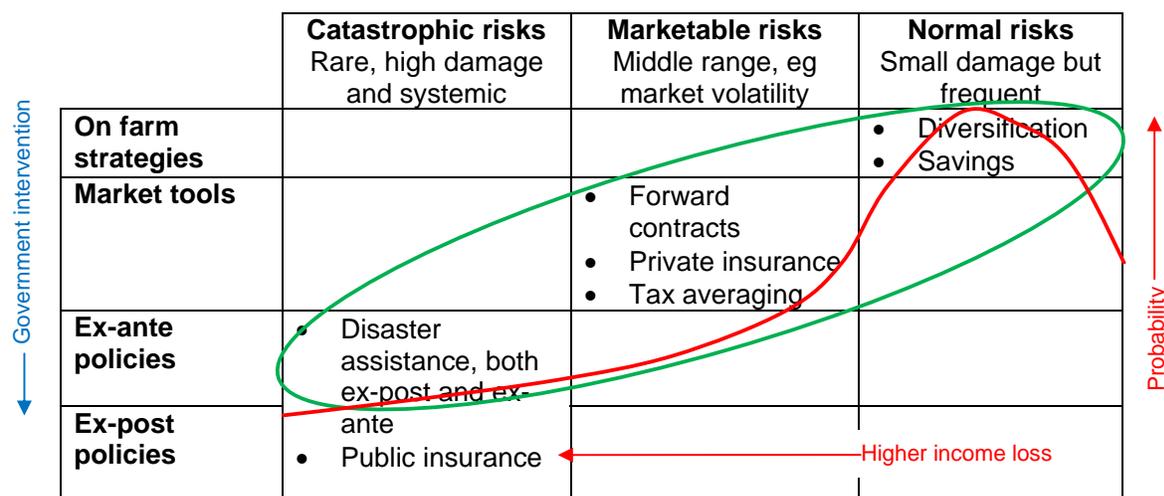
How can current arrangements for managing market crises and providing crisis support be improved?

We disagree with the assertion in the consultation paper that the best way to improve resilience is simply to increase productivity. Resilience is best supported by ensuring productivity is underpinned by a healthy natural environment

We do not have a view on the specific factors that affect whether or not to buy agricultural insurance.

Risk management has been the subject of active debate with regard to the future of the CAP and post-Brexit agriculture policy. In the sustainable farming and land management proposals we published with Wildlife and Countryside Link in September 2017²⁰, we concluded that whilst the role for public intervention to manage catastrophic risk is potentially significant, the intervention logic for other forms of risk management is limited. Figure 1 below from the OECD provides more information on examples of risk within each of these types, and suggests the interventions that could be used to address these, including both public and private.

Figure 1 - Optimal pattern of risk management strategies and policies (in green oval)²¹



²⁰ <https://www.wcl.org.uk/docs/Link%20farming%20and%20land%20use%20policy%20paper%20FINAL%20Sep%202017.pdf>

²¹ OECD (2011), Managing risk in agriculture: Policy assessment and design, OECD Publishing.

Building on recent analysis by Erik Mathijs²², this suggests that financial risk management as a specific outcome should not be a primary focus of a future policy, and we therefore welcome the direction provided by Defra in the consultation paper. It is important to note though that interventions against other objectives and outcomes mentioned above will have significant co-benefits for risk management. For instance, improved soil function will create more resilience to drought and disease, and payments for environmental goods and services – including new markets leveraging additional private investment - will provide a business income independent of market volatility.

In developing insurance products, we would caution Defra to avoid the insurance models used in North America. These are administratively complicated and expensive for Governments, bureaucratic for applicants and potentially interventionist from a market perspective. They require significant amounts of data, which the UK does not currently hold. It is also important to recognise - as the consultation paper does - that the tax system in the UK already provides significant reliefs for agriculture, which will presumably continue to play a significant role in enabling farmers to manage risk.

Specifically, the introduction of five-year income tax averaging for farmers from 2016/17 will help to manage volatility. This comes in addition to existing capital allowances, that can be used to manage risk, and significant expenditure associated with Agricultural Property Relief and exemptions from Business Rates. The former cost £495m in 2015/16, and whilst it does not explicitly provide a risk management function, it will help to insulate farmers from risk in a similar way to Direct Payments. There may be scope to better use the tax expenditure associated with these reliefs to help farmers manage volatility in the future.

Risk management tools such as crop insurance also have some significant drawbacks, such as moral hazard. This refers to cases where farmers may adopt higher risk behaviour, knowing that their losses will be covered. This can lead to environmentally damaging behaviour, such as locating high risk crops in areas that are vulnerable to soil erosion, which risks undermining the effectiveness and coherence of broader public policy. Commodity specific insurance can also encourage specialisation, which may in turn lead to negative environmental impacts, and increase exposure to climate and market volatility and risk.

²² Mathijs, E (2016) Managing volatility and risk in the CAP. A report for the RISE Foundation.

13. Protecting crop, tree, plant and bee health

Where there are insufficient commercial drivers, how far do you agree or disagree that government should play a role in supporting:

- a) Industry, woodland owners and others to respond collaboratively and swiftly to outbreaks of priority pests and diseases in trees?
- b) Landscape recovery following pest and disease outbreaks, and the development of more resilient trees?
- c) The development of a bio-secure supply chain across the forestry, horticulture and beekeeping sectors?

Where there are insufficient commercial drivers, what role should government play in:

- a) Supporting industry, woodland owners and others to respond collaboratively and swiftly to outbreaks of priority pests and diseases in trees?
- b) Promoting landscape recovery following pest and disease outbreaks, and the development of more resilient trees?

What support, if any, can the government offer to promote the development of a bio-secure supply chain across the forestry, horticulture and beekeeping sectors?

The balance between trees, pests and pathogens is fragile and vigilance is needed to monitor and correct for imbalances where they occur before they reach an irreversible state. Equally invasive non-native species and pests can be at an advantage in new environments where trees have not evolved alongside them and developed the necessary biological defences or cultivated the necessary predatory species. Where this happens, the results can be devastating, economically and ecologically.

We strongly support the aim for all land managers to understand and implement sustainable and resilient land management practices that work to protect them against pest and diseases including through diversifying crops and species used or altering rotation length and diversity, maximising natural predation, and adopting different harvesting techniques. Developing sustainable management techniques that produce a resilient crop should be the first stage in all land management practices and this is especially important when managing trees and woods which must be healthy to deliver environmental benefits over very long time scales. The development of trees with potential increased resilience and their introduction into woodlands and the wider landscape should be supported.

Biosecurity measures are already an integral part of managing animal welfare on farm holdings and these practices should be extended to the import of any plant material or non-farm animal eg bees. There may be a need to improve guidance and training to support this development.

Resilient farming and forestry systems, which are reliant on healthy soils, diverse vegetation, and preservation of the food web with an abundance of natural predators, must also be underpinned by effective regulation of practices such as pesticide usage. This provides a solid basis for public investment, safeguarding the environment and protecting the interests of society. Cross-compliance rules in CAP should be replaced with a more effective and proportionate approach which improves outcomes for the public and meets Defra's ambition to deliver a better and richer environment in England whilst reducing bureaucracy for farmers and other land managers.

While there will be a need to use pesticides to control some invasive non-native species, the default option should be to develop resilient habitats supporting beneficial invertebrates and, where possible, to use approved natural controls such as rust fungus for Himalayan balsam.

Human agency is often the cause of pests and pathogens or invasive non-native species moving to new areas. International trade in live plants and wood products without sufficient controls has been largely responsible for a number of the threats our native flora and fauna face. Each of these threats either has or will cause billions of pounds of damage to the UK economy even before the ecological or environmental costs are counted. This is not a problem that can be dealt with through a land management policy on its own and there must be better link up between actions through sister legislation such as pest and disease regulations. If we are to respond effectively to both known and future threats, then we need to invest in proactive biosecurity approaches that stop these threats at the border.

When public goods, such as biodiversity, clean air and water or carbon sequestration, are threatened, should government play a role in supporting collaborative action to deal with the effects of a pest and disease outbreak such as when the health of trees and particularly native species are threatened. Without coordinated action, the consequences of a pest or disease outbreak will be much greater and possibly devastating.

Where there are insufficient commercial drivers, the Government's role in any pest and disease outbreak should be in providing research and evidence and specific advice to support best practice guidance and to broker collaborative action to tackle the impacts and prevent further spread. Landscape recovery actions should already be accounted for in any targeted environmental land management approach, such as tree planting to replace diseased trees for biodiversity.

As outlined above, there is a key role for Government to support farmers and others including tree and woodland owners to manage their land in a way that prevents pest and disease build up, and manages any remaining pest and disease problems using non-chemical means of control wherever possible. Preventing the introduction of new pests, diseases and invasive plants must be a key element of maintaining healthy landscapes and so there must be robust systems to address this. The development and policing of biosecurity must be a government priority as the costs and environmental consequences of failure are potentially immense. Support, both advice and financial, should be provided to help land owners implement the necessary landscape recovery work in the event of outbreaks.

14. Ensuring fairness in the supply chain

How can we improve transparency and relationships across the food supply chain? Please rank your top three options by order of importance:

- a) Promoting Producer Organisations and other formal structures?
- b) Introducing statutory codes of conduct?
- c) Improving the provision of data on volumes, stocks and prices etc.?
- d) Other (please specify)?

What are the biggest barriers to collaboration amongst farmers?

What are the most important benefits that collaboration between farmers and other parts of the supply chain can bring? How could government help to enable this?

We do not wish to rank the options in the way requested. Both government and private sector support - through the food supply chain – is required to deliver the types of land management we need and for farming to support thriving rural communities. In our earlier publication *Farming Fit for the Future with Link*²³, we called for ‘all businesses across the supply chain (to) enjoy good working relationships and secure a fair share of the profits’ and for ‘more transparent, local and shorter food supply chains’. Farmers need to be properly, and fairly, rewarded for delivering the quality of produce, healthy countryside and standards of animal welfare that we need.

The Groceries Code Adjudicator (GCA) has an important role in transparency, standards, fairness, and in ensuring that markets better support viable farming including by regulating the behaviour and standards of major retailers in relation to direct suppliers.

However, the decision by the Department for Business, Energy and Industrial Strategy (BEIS) not to extend the Groceries Supply Code of Practice and the GCA’s remit to promote fairer trading practices across the supply chain, not just the largest retailers, means that farmers and small food businesses selling into supermarkets via intermediate suppliers will continue to be subjected to the dumping of “excessive risks and unexpected costs” which the Competition Commission found prevalent in the sector.

This decision is likely to have several consequences including:

- bankruptcy among smaller farmers and food producing businesses less able to withstand cost and risk impacts, leading to more concentration and less diversity in the supply chain;
- less investment in business growth and product development;
- less investment in food safety, food quality and minimising environmental harms;
- poorer working conditions as workers in food and farming are placed onto precarious contracts;
- more food waste; and,
- less transparency for consumers.

The government should legislate to ensure transparency because it is now widely recognised that voluntary codes of practice have not worked in supply chains whether for farmers and producers, smaller businesses or consumers.

We support the views of Sustain and TraidCraft to introduce a properly enforced statutory code of conduct to ensure fair purchasing practices across the whole supply chain.

²³ https://www.wcl.org.uk/docs/farming_fit_for_future_vision.pdf

We also recognise the need for meaningful and accurate labelling concerning methods of production.

Alongside this, Government should also commit to improving local competition and planning requirements so that they support a fairer and more transparent system including more diverse and community-led retail such that more farmers obtain a fairer share of the price paid at the checkout and consumer trust is supported. Equitable trading between producers and retailers leads to a better balance of power between the two, unlike with major retailers where producers are generally price takers.

New measures are also required to ensure that risks and costs are shared fairly along supply chains rather than falling on small producers. Enforcement powers such as around price transparency should be included in the Agriculture (or 'Land Management') Bill.

15. Devolution: maintaining cohesion and flexibility

With reference to the principles set out by JMC(EN) above, what are the agriculture and land management policy areas where a common approach across the UK is necessary?

What are the likely impacts on cross-border farms if each administration can tailor its own agriculture and land management policy?

We want to see each nation basing their future funding policies on the principle that public money should go on public goods, with the natural and historic environment at the heart of that.

We are concerned that debate between the UK Government and devolved administrations about the need for common frameworks has so far focused too much on intra-UK and international trade, and not enough on other JMC(EN) principles, specifically compliance with international obligations and management of common resources.

We regard the environment as 'essential' in the context of commonality of agriculture policies across the four countries of the UK, on the basis of two key factors relating to the JMC(EN) principles:

1. Agriculture, and therefore future farming and land management policies, will be central to the ability of the UK to meet international obligations associated with biodiversity, climate change and sustainable development.
2. Similarly, many environmental factors do not respect national boundaries. Ensuring sustainable management of common resources, particularly biodiversity, water resource management (flood and drought avoidance), water quality, and climate change mitigation and adaptation will be essential in securing a common baseline of environmental ambition, and reducing the scope for one part of the UK to gain a short-term competitive advantage based on policies that encourage unsustainable use of natural resources – although a policy which encourages more sustainable use of natural resources would in itself give farmers a competitive advantage in the long-term.

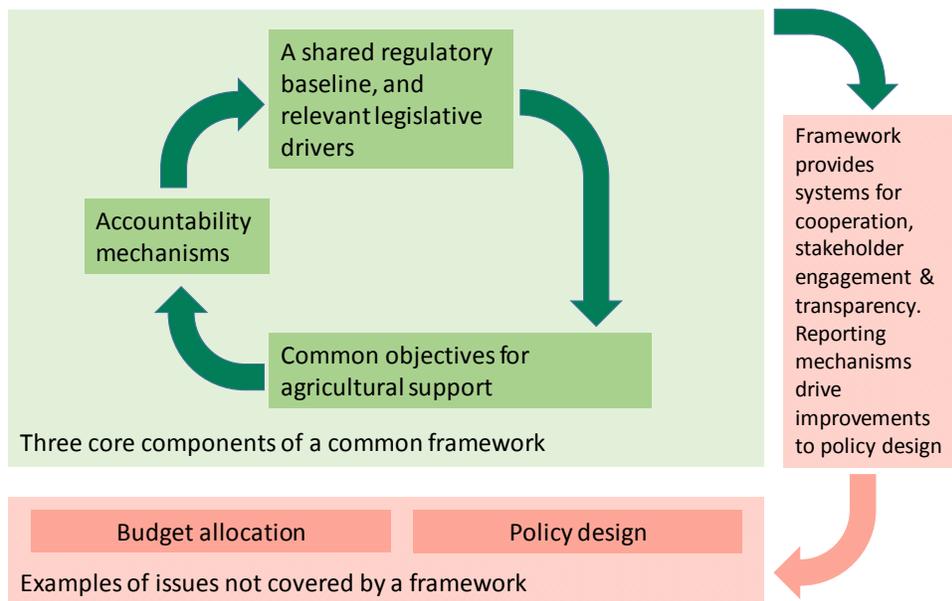
Any common framework however will need to respect the current devolution settlement, and be developed and agreed jointly by the UK Government and devolved administrations via a shared and transparent process. Any Westminster legislation, including an Agriculture (or 'Land Management') Bill, that includes aspects relevant to the whole of the UK, will need the full support and consent of the devolved administrations. We would welcome further clarity on how this will be taken forward.

Using this as a starting point, we propose a framework for future farming and land management policies that is significantly less prescriptive than the Common Agricultural Policy (CAP), and instead provides for environmental (and other) commonality based on the three broad areas:

1. A common understanding of the regulatory baseline
2. Common objectives for future policies, including a range of environmental objectives relating to biodiversity, water quality and climate change, amongst others
3. Mechanisms to ensure accountability, allowing citizens to hold the UK Government and devolved administrations to account

This framework would not prescribe policy design in the way that the CAP does, and would therefore meet the JMC(EN) agreement to significantly increase the decision-making powers of devolved administrations. The Figure 2 below provides a graphic illustration of our proposed model.

Figure 2 – a proposed common framework to future farming and land management policy



However, to ensure accountability against common objectives, specifically environmental performance, it is important that this framework is legislated for. There is also read-across to the debate about the ‘governance gap’, and policy proposals to address this at both a UK and four-country level.

Research commissioned by the RSPB, National Trust and the Wildlife Trusts shows that the cost to the UK of delivering our existing policy commitments for environmental land management alone to be £2.3 billion per year. This figure is only a starting point but the research suggests that the distribution of funds across the UK should be allocated via objective criteria associated with need, and not the Barnett formula (which would result in funding being unfairly weighted towards England). Indeed, land management funding *must* be allocated by need if all of the UK’s governments are to be held accountable on progress towards their international environmental commitments.

16. International trade

How far do you agree or disagree with the broad priorities set out in the trade chapter?

How can government and industry work together to open up new markets?

How can we best protect and promote our brand, remaining global leaders in environmental protection, food safety, and in standards of production and animal welfare?

We agree with the Government that the UK's new post-Brexit trading relationships should provide an opportunity to build on current progress and that there must not be a race to the bottom. The UK needs to compete as a high quality and high standards food and farming system; a high quality environment is essential to the sustainability and future competitiveness of the sector on the EU and world markets. Our success in the market is competing at the top of the value chain.

We therefore welcome the importance given in the consultation paper to maintaining high environmental, animal welfare and food safety standards. However, there is no clarity on how this will be achieved in the context of prospective trade deals with third countries that have different and in some cases demonstrably lower environmental and animal welfare standards.

We would like the Government to make a clear commitment that all new trade deals will contain robust provisions guaranteeing that domestic environmental, animal welfare and food safety outcomes will not be weakened via exposure of UK farmers and land managers to low-standards imports.

We agree with the Government that the UK's new post-Brexit trading relationships provide an opportunity to build a UK brand based on high quality and robust environmental and animal welfare standards, and that there must not be a race to the bottom. As the UK exits the EU, it will be important to ensure that higher welfare products, and those produced to higher environmental and food safety standards, are not undermined by imported foods produced to lower standards. Granting access to UK markets to products produced to lower standards would risk undercutting UK standards and damaging the environment both domestically and internationally. To avoid unfair competition and ensure a level playing field, it is essential that safeguards are in place to ensure that products imported under any future UK trade deals meet at least equivalent standards as domestic producers.

In the same vein, public funds should not be used to promote exports of products that have high carbon emissions in their supply chain. It is not in the wider public interest for the UK to subsidise the export of meat and livestock products through export facilitation.

How the UK achieves this will be different in the main four areas it has to agree trade deals.

Firstly, we agree that it is important to secure a tariff free relationship with the EU as the EU-27 is the most important export and import market for all farm sectors. The EU and the UK currently enjoy broad equivalence on welfare and environmental standards, zero tariffs on agricultural trade and follow similar rules regarding non tariffs issues that could impede trade and agreements on areas such as veterinary equivalence. We also have the same Rules of Origin (RoO) which allows the unimpeded trade in livestock and meat products without customs controls between the UK and the EU-27. As the UK is not expected to be in the Customs Union, it is inevitable that the EU-UK FTA will have to agree new RoO agreements and new veterinary equivalence agreements to ensure that there are minimal hold ups at the border. There is also a need for clarity on how environmental equivalence will be maintained in any EU-UK FTA.

We also agree that the UK needs to transfer into its own trade arrangements the 65 FTAs that the EU currently has agreed with third countries. Two of these (South Korea and Chile) contain animal

welfare chapters ensuring that there is mutual recognition of the importance of animal welfare. It is essential if these are re-negotiated that these chapters remain or are strengthened.

When negotiating new FTAs, including that with the EU, it is vital that the Government insists on the inclusion of robust chapters on animal welfare and environmental sustainability, including language on equivalence, and that all future negotiations are subject to democratic oversight and robust impact assessment. The UK should also keep the non-tariff animal welfare barriers it currently has, including a prohibition on importing beef produced using hormones, beef and pork injected with ractopamine, beef treated with BST and chicken washed in chlorine. Indeed, if this is part of the EU FTA, it would be potentially impossible or at least impractical for the UK to agree different standards when agreeing other FTAs with third countries.

Finally, as regards farm payments, if the UK wants to reduce the likelihood of any challenge in the WTO regarding its payments, it may prefer to place them in the Green Box (defined as minimal trade distorting and with a minimal impact on production), so they are not subject to payment ceilings. In order to achieve this, these payments must be given through a government-funded scheme, must not be linked to production nor provide price support.

Payments awarded to producers for training, infrastructure and regional assistance would be allowed; they are specifically mentioned under the Agreement on Agriculture (AoA) and are not linked to production. Payments for programmes involving support for ongoing costs are permitted, providing payments are limited to loss of income involved. Although rules associated with environmental programmes are limited to income foregone and costs incurred by the AoA, some people and organisations have overstated the extent to which this will constrain the ability of a future public goods policy to provide sufficiently high payments. Where necessary, it should be possible to interpret any loss making agricultural activity that is needed to deliver a public good as a 'cost'. Using this approach, outlined in a 2011 study for LUPG²⁴, it would be possible to provide payments to non-economic farming systems, or those with low levels of profitability, that go beyond the conventional interpretation of income-foregone and costs-incurred used to date.

Our approach to this issue is predicated on the need to ensure payments are sufficient to secure a given management action or outcome, but defensible to the Treasury and the taxpayer. The LUPG study (and other precedents) provides sufficient confidence that this is possible to achieve within the parameters of the WTO Green Box.

Retaining a focus on the [in some cases broadly defined] costs associated with delivering an action or outcome, plus a fair income for doing so, has the added benefit of retaining a direct link between expenditure and an action as the best way of securing value for money and which incentivises a producer if they receive more funding to provide more public benefits.

For payments for improved animal welfare, the European Commission has shown it is possible to reconcile these with WTO rules. Since 2007, the Commission has approved more than 50 schemes that reward higher animal welfare in two RDP periods (2007–2013, 2014–2020) and has submitted all these schemes to the WTO as being Green Box compliant²⁵. No challenge has ever occurred.

In conclusion, we believe that WTO rules do provide the flexibility to provide farmers with funding that truly supports the delivery of public goods, in a way that is both effective for society, and attractive for farmers and land managers.

²⁴ Barnes A.P., et al (2011), Alternative payment approaches for noneconomic farming systems delivering environmental public goods. Report for the Land Use Policy Group.

²⁵ www.ictsd.org/bridges-news/bridges/news/eu-reports-trade-distorting-farm-subsidies-unchanged-for-2013-14-marketing

17. Legislation: the Agriculture Bill

How far do you agree with the proposed powers of the Agriculture Bill?

What other measures might we need in the Agriculture Bill to achieve our objectives?

We agree that the proposed powers of the Agriculture (or 'Land Management') Bill are necessary. However, at present, the scope and ambition of the Bill is insufficient.

In addition to the powers set out in the Bill, we believe that there is a need to include the following:

1. **A broad purpose.** The Bill should set out a bold vision for the purpose of government intervention in agriculture and land management, through outlining parameters for future policies on the face of the Bill. As agriculture is a devolved competency, this vision should be co-owned and co-developed across the four countries of the UK. This should reflect page 15 in the consultation paper, which summarises the role of Government in relation to agriculture as:
 - a. "...the regulatory baseline to protect our high environmental, plant and animal health and animal welfare standards and creating a level playing field for farmers and land managers."
 - b. "...encouraging industry to invest, raise standards and improve self-reliance..."
 - c. "...rewarding farmers and land managers to deliver environmental goods that benefit all. Our aim is for public money to buy public goods. In 25 years' time, we want cleaner air and water, richer habitats for more wildlife and an approach to agriculture and land use which puts the environment first."
 - d. Replicating the provisions of s.17(1)(c) of the 1986 Agriculture Act ('Duty to balance interests in exercise of agricultural functions') but revising it slightly so that it refers to *"the conservation and enhancement of the natural beauty and amenity of the countryside (including its flora and fauna and geological and physiographical features) and of any heritage assets (of value for their archaeological, architectural, artistic or historic interest) there"*.
2. A requirement on Ministers to develop and adopt **targets and milestones**. These should be driven by the 25 year environment plan, noting the central importance of a future Environmental Land Management (ELM) system in securing the target outcomes of the plan. Alternatively, the Bill should create a structural link to existing and future environmental legislation and associated objectives and targets.
3. A requirement on Ministers to commission a **review of funding** every five years. Long-term stability will be essential to the success of future policies. In order to hold Government to account, Parliament will need evidence. Ministers should therefore be required by the Agriculture (or 'Land Management') Bill to commission a review of funding requirements every five years from an independent body (or bodies), with the findings presented to Parliament.
4. **The regulatory baseline.** The Bill should set out how the baseline is to be interpreted and clarity on what Defra means by 'a more effective application of the polluter pays principle'.
5. **Clarity on accountability.** We expect clarity on how the Bill will enable citizens to hold Government to account. The Bill should include specific provisions, or Defra should clarify the extent to which a new environmental governance body will be able to scrutinise the environmental performance of farming and land management policies, and require improvements where targets are not being met.
6. **Coordination.** The Bill should allow for a co-ordinated, transboundary approach based on minimum common standards for future UK-wide farming and land management policies, co-designed and co-owned by all four UK governments.

These measures will be necessary if the Bill is to reflect the ambition set out in the consultation paper, and provide citizens, stakeholders and Parliamentarians with the tools necessary to hold current and future governments to account against their commitments.

We would also like to consider with DCMS and Defra whether the scope of the Bill might provide an opportunity to amend the definition of a 'monument' in s.61(7) of the 1979 Ancient Monuments and Archaeological Areas Act in order to enable a limited number of nationally important 'sites without structure' to be considered for designation as scheduled monuments.

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