

# THE Future OF FARMING

THOSE of you who watched *Clarkson's Farm* might remember how in the final episode he made just £144 of profit, 'before subsidies.' This is a familiar story. Subsidies are important to farmers across the country. They are also changing quickly. This will dramatically affect how farming is carried out in the South West and beyond.

## THE CURRENT SYSTEM

At the moment there are two key farming subsidy schemes.

The Basic Payment Scheme (BPS) is the larger of these. This is a very popular scheme, and almost all farmers claim it.

BPS payments are in exchange for meeting a set of management rules farm called "Cross Compliance". Some of these are legal obligations, others are 'best practice'. They range from proper identification and tagging for animals, measures to prevent soil runoff into watercourses, to protecting certain historical features or areas particularly valuable for wildlife.

When under EU control, the BPS used to have other rules (called 'greening'). However, the English Government thought these were ineffective, so scrapped them following Brexit.

BPS payments are area-based, so the larger the farm, the greater the payment. Before Brexit this was at a flat rate per acre. Following recent changes, payments per acre are now banded instead, like income tax, so larger farms receive less per acre on average.

The other key scheme is Countryside Stewardship. This lets farmers enter a five-year agreement for actions which help the environment. Examples include planting specific crops just to feed birds in winter, reducing fertiliser and pesticide use, or planting new hedges. Payment rate is specific to the activity. This is more specialised, so fewer farmers claim it than the BPS. However, it is still very important to many farm businesses.

Other smaller schemes have included grants for specialist equipment and for new business ventures benefitting the local economy.

## FUTURE SCHEMES

Both the BPS and Countryside Stewardship will be phased out entirely by 2027. BPS is already reducing year-on-year. Their replacement is a three-tiered system, with each tier getting an equal share of the farming subsidy budget. This system is called the Environmental Land Management (ELM) scheme.

The first tier, the Sustainable Farming Incentive, is the one we know most about. A pilot scheme for it currently open for applications. It is a little like Countryside Stewardship, but with a smaller choice of activities, split into three levels. 'Introductory' activities aim

# Subsidy shake-up poses a challenge

► Under the existing BPS scheme, farmers receive direct subsidies which are based on the amount of land farmed. But this is all set to change from 2027

Writing specially for WMN's recently-launched *The Future of Farming* series, land agent and surveyor expert **Hugh Townsend** provides an overview of the future of British farming policy



to easily fit into working farms while still helping the environment. 'Intermediate' and 'advanced' activities will pay more money but take more time and productive land.

The second tier scheme is Local Nature Recovery. This looks like it will involve taking land out of agriculture altogether. The third is Landscape Recovery, which will involve very large rewilding-type projects. This is likely to mainly interest wildlife charities and large corporations looking to improve their green credentials.

This means, of the three tiers, only the Sustainable Farming Incentive is likely to interest most farmers. The other two schemes seem designed to move land out of agriculture, so will only interest commercial farmers if payments are particularly high.

There will still be grants for new equipment, and also funding for improved veterinary care for farm animals. However, these are designed more to encourage investment and improve welfare rather than significantly affecting the bottom line in the long term.

## INDUSTRY OUTLOOK

This has all been driven by changes in Government policy. Policy has moved from protecting the farming industry for providing the food we eat, to only funding other kinds of benefits farms can provide. Usually this means improving the environment.

For farmers, this means they will need to work harder for their subsidies, actively putting new measures into place rather than just meeting a set of rules. It also means payment rates are likely to be lower. 80% of UK farming subsidy spending has historically been on the BPS, whereas the Sustainable

Farming Incentive will be only a third.

This means farmers need new options to cover the shortfall. Some may double down and intensify, taking no subsidy payments whatsoever. Others might work hard to meet the highest standards of the Sustainable Farming Incentive to gain as much from the new system as possible perhaps even investigating Local Nature Recovery. Others still will look at different measures entirely. One option is to diversify into new ventures such as holiday cottages (especially following the Covid-led revival of UK holidays) or letting out buildings for business use.

Another exciting option the Government is encouraging is open market trading of environmental goods. This includes 'selling' environmental potential to construction companies to help them meet new 'biodiversity net gain' requirements for planning permission. Another is planting trees and improving soil health then 'selling' the carbon this soaks up from the atmosphere to offset companies' emissions. Farmers in some areas can also take payments from developers to change how they farm to mitigate harm to rivers; this is called trading 'phosphate and nitrate offsets'.

The new system undeniably represents a major challenge for farming in the UK. However, as a firm with nearly 30 years of innovation in this area, we are sure the industry will rise to meet it.

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