

**FARMING**

# Time to start thinking as SFI payment rates unfold

► Farmers taking part in the Sustainable Farming Incentive (SFI) will receive payment for taking actions to generate environmental benefits such as improving grasslands or soil Wayne Copp



**D**EFRA have announced further details of the wider SFI rollout including payment rates and required actions. Whilst there is some commentary that the scheme is not paying enough and others are saying the actions do not go far enough, we are starting to see how the future of sustainable farming will take shape.

It is through the combination of Government support and hopefully private sector finance that should plug the gap left by BPS payments for a lot of farms. However farmers and landowners should now start considering how to combine SFI standards and environmental credits over the next few years.

Launching in early 2022, there will be a 10-week application window. As with the pilot, individual land parcels may be placed in the scheme with no minimum or maximum amount. Agreements will run for three years with the option to amend every 12 months.

#### Tenanted land

Defra state that tenants will need to check the terms of their lease but do not have to show evidence of their landlord's permission to the RPA before entering an agreement. During this early SFI transition period they may enter land for a term of two to three years or more. If the tenancy is not renewed after two years, the agreement may end without any penalty. Groups of applicants may enter common land into an SFI as a single entity and will be responsible for deciding how they manage the standards between themselves.

#### Private sector schemes and the SFI

Interestingly, whilst payment rates are low, there is confirmation that land in an SFI option may be used for carbon trading, biodiversity net gain, nutrient offsetting, and flood

After the Government shared more detail about its Sustainable Farming Incentive (SFI) last week, land agent and surveyor expert **Hugh Townsend** sets out his thoughts



management. As long as there is no double counting of these outcomes, the land manager may engage in and receive payment for SFI actions whilst selling these environmental goods on the open market.

#### Payment rates

The first payments are expected at the end of 2022 and will be made quarterly.

#### Arable and Horticultural Soils Standard:

■ Introductory level - £22 per hectare;

■ Intermediate level - £40 per hectare.

#### Improved grassland soils standard:

■ Introductory level - £28 per hectare;

■ Intermediate level - £58 per hectare.

#### Annual Health and Welfare Review:

■ £372-684/pa depending on type of livestock

For 2022 there will be no Advanced levels for standards or capital payments although both are expected to be introduced as the scheme progresses.

The actions required for each standard are less stringent than those in the SFI pilot, a summary is provided below:

#### Arable and horticultural soils standard

*Introductory level - £22 per hectare:*

■ Test soil organic matter;

■ Undertake a soil assessment and produce a soil management plan;

■ 70% winter cover to protect soil:

At least 70% of land in the standard must have green cover over the winter months (Dec-Feb). This can include any kind of green cover, including autumn sown crops and weedy stubbles;

■ Addition of organic matter: Add organic matter to one third of the land in the standard each year. This can include any kind of organic matter, including sown green cover crops.

*Intermediate level - £40 per hectare*

■ In addition to the introductory level, the 70% winter cover to protect soil must include: Multi-species green cover - covering at least 20% of total land in this level of the standard;

■ The addition of organic matter must include: Multi-species green cover grown under the cover crop requirement above, plus the rest made up of other ways to add organic matter as per the introductory level.

*Advanced - To be introduced from 2023*

**Improved grassland soils standard**

*Introductory level - £28 per hectare:*

■ Test soil organic matter;

■ Undertake a soil assessment and produce a soil management plan;

■ 95% green cover to protect soil (no more than 5% bare ground over winter).

*Intermediate level - £58 per hectare*

In addition to introductory requirements:

■ Establish or maintain herbal leys

to improve soil health on at least 15% of land in the standard.

*Advanced - To be introduced from 2023.*

#### Moorland and rough grazing standard - introductory level (Yet to be finalised)

Introductory level: £148 fixed per agreement per year, plus additional variable payment rate of £6.45 per hectare:

■ Verify and record soil types, including peatland, and associated vegetation;

■ Evaluate the public goods potential and condition of the moorland;

■ Identify opportunities to maintain or enhance public goods.

Intermediate and advanced levels - To be introduced from 2023

#### Annual Health and Welfare Review

Available to farmers in England who are:

■ Keepers of cattle, pigs and sheep with more than 50 pigs, 20 sheep or 10 cattle;

■ Currently eligible for BPS.

#### Payment rates:

■ Pigs - £684;

■ Sheep - £436;

■ Beef cattle - £522;

■ Dairy cattle - £372.

#### Future standards

Between 2023 and 2025, new standards will be added (subject to confirmation):

*2023:*

■ Hedgerows;

■ Integrated pest management;

■ Nutrient management.

*2024:*

■ Agroforestry;

■ Low and no input grassland;

■ Moorland and rough grazing (all levels);

■ Water body buffering;

■ Farmland biodiversity.

*2025:*

■ Organic;

- On-farm woodland;
- Orchards and specialist horticulture;
- Heritage;
- Dry stone walls.

We can see from these future standards that environment and climate change measures will be a key part of the SFI once introduced over the next few years. Private sector environmental credit schemes, such as carbon trading, nitrate offsetting and biodiversity net gain will receive a boost to their respective markets if credits produced under an SFI are officially endorsed by the Government. It bodes well for the development and regulation of a soil carbon market in addition to the more established woodland and peatland carbon markets.

What we have found already with the woodland carbon code and trading carbon units is that it is vital to have a good knowledge of the marketplace into which one will be trading environmental credits at the outset of any scheme to create them. This is to make sure that the maximum income is achieved over what are long-term projects and that the knowledge and expertise of how this will work is obtained from an independent, professional, and accountable source. Townsend Chartered Surveyors/TCS Brokerage have published the first book on environmental credits; the UK Environmental Credit User Guide and this is a must-read free eBook, with paperback also available, for those making management decisions going forward.

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