



NFFN Response to ELM Discussion Document

6. Do you have any comments on the design principles on page 14? Are they the right ones? Are there any missing?

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

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

NFFN are keen to work with Defra to develop a roadmap to deliver long term, viable business models for farming underpinned by nature.

7. Do you think the ELM scheme as currently proposed will deliver each of the objectives on page 8?

Additional to the two objectives on page 8, it will be vital that any system balances the needs of food, farming, nature and local communities.

Overall, it is certainly possible that basic structure of ELM as proposed can both deliver environmental benefits and reduce environmental harms, meeting the two objectives.

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

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

8. What is the best way to encourage participation in ELM? What are the key barriers to participation, and how do we tackle them?

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

Therefore, our key principles are:

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

To elaborate:

1. **Application process:** there should be an intuitive and straightforward application process and clear guidance to the applicant to identify the range of benefits to their business and the environment to encourage buy in and recognition of what is being delivered.
2. **Choice and flexibility:** There should be a wide range of choice available, including support for more sustainable production and agro-ecological systems appropriate to the farm. Environmental delivery should be tailored at an individual farm level and farmer motivations, to ensure relevance and encourage farmer buy-in. Measures should be available to all where they deliver what the local landscape and environment needs. Flexibility should be built into the design of new schemes, so that farmers can alter management practices if required. We feel this is a major flaw in the current design of schemes. Farmers must be involved in the development of agri-environment options, our knowledge and experience will be crucial in delivering something that works, representing good value for money and greater buy in from the farming community.
3. **Ambitious and accessible first tier:** For maximum accessibility, Tier 1 should provide a comprehensive element, open to all farmers, with rewards increasing in relation to effort. Tier 1 should therefore focus on mainstreaming ambitious on-farm measures that all farmers can take, above and beyond those already delivered by ELS. To achieve this there will need to be significant investment in support to move a large majority, if not all, farmers into the scheme. This will include advice and transition payments (as used for organic conversion) to support farmers to both gain recognition for work they are already doing and to reach an ambitious level for this scheme (i.e. beyond both cross-compliance and much of ELS).
4. **Peer to peer learning:** Farmers should be enabled and supported to spread the word to their peers to enable the promotion of the scheme to be in the language that farmers understand. This would encourage farmers to engage with the scheme more than an external, unfamiliar representative. Our survey of NFFN farmers showed that this is a top priority.
5. **Agroecology and regenerative systems:** In order to be accessible, the whole range of farmers and farm types, there should also be support for specific types of farming that benefit the

environment – including payments to support organic and other agro-ecological farming systems (based on the known benefits they provide) and to support the continuation of High Nature Value farming, crofting and forestry, especially in the uplands and more marginal farming areas.

6. **Clear regulation and support:** To ensure farmers are not put off by the scheme, regulation and advice should be closely linked, so that any farmer found in breach of regulation has a) time to rectify the situation and b) access to quality advice in order to become compliant. Beyond this, we would support measure to enforce penalties for noncompliance. This would engender greater trust between the industry and the regulator.
7. **Awareness of benefits:** Awareness should also be increased within the agriculture and rural sector of the benefits of ELM schemes to both the environment and their farm businesses, and why are they designed as they are. Results, successes and best practices examples should be shared within, and beyond, the industry. This will help the industry be proud of its achievements, while also recognising where there is room for improvement. This could also help people to be aware of what they are seeing on the ground, and could help landlords improve their understanding of their tenants' management practices.

9. For each tier we have given a broad indication of what types of activities could be paid for. Are we focussing on the right types of activity in each tier?

Overall, while the general activities in each tier are appropriate, we are concerned that the Tier 1 level of the scheme lacks ambition and will not enable the shift in direction needed for farming. This can be fixed, however, with an approach that pushes each Tier to deliver the maximum public goods, with genuine farmer involvement from the beginning.

Tier 1

This element should be transitional and progressive, based on enhancing and creating environmental assets on the farm, as well as regenerative and agroecological techniques. It should include interventions such as hedgerow restoration, habitat regeneration, soil health, pond creation, tree planting, and establishment of seed and wildflower mixes. These practices will boost wildlife on farms and should be implemented by a majority, if not all, farmers and land managers. It is crucial that this comprehensive scheme is **more ambitious than Entry Level Stewardship**, to secure measurable benefits for the public. This will include increased recognition for farmers already delivering for the environment but not recognised for it (i.e. those not enrolled in current environmental schemes).

We are concerned that Tier 1 as described is not ambitious enough, paying for 'good practice' interventions that should already be undertaken by farmers. Public money must instead be spent on delivering public goods above and beyond decent practice. Many nature friendly farmers in our network are already delivering ambitious Tier 1 style on-farm interventions which go well beyond the regulatory baseline to contribute to countless public goods including nature, soil, water quality, flood management, and carbon storage, and provide an excellent example of what could be expected under even the most accessible Tier.

“This level is too unambitious to deliver what ELMS aims for and will have insufficient effect on wildlife, flood control, and carbon capture, exemplified by numerous studies of current stewardship schemes.” – farmer response, NFFN ELM Farmer Survey, July 2020

Our farmer survey showed that farmers would also like to see a wider range of ambitious practices in Tier 1 with greater benefits. These include: agroecological and regenerative farming methods (like

cover crops, no till, and rotational practices); leaving 10% of the farm to natural habitat; reducing pesticides and herbicides; and soil health improvement.

Tier 1 example case study: Sally-Ann Spence, mixed farmer, Wiltshire

“We work hard to support farmland birds, by; feeding and ringing them to monitor numbers, putting up feeders and nest-boxes for tree-sparrows and barn owls, leaving bigger field margins, and putting out songbird posts for corn buntings who won’t mate unless they have song perch. Our permanent grasses are grazed by native cattle breeds, which restore the soil. We fluctuate the numbers of stock on grass at different times of year, according to how the grass is growing, which means we decrease animals when flowers are ready to set seed. No tillage or minimal tillage drilling makes sure our soil structure is as untouched as possible, which is good for the invertebrates. Planting hedgerows and woodland increases our resilience to future climate events and by leaving winter stubble on the ground we are not leaving bare ground open to soil erosion.”

Tier 2

Payments should aim to conserve priority species and habitats, to ensure the appropriate management and condition of designated nature conservation sites and to support habitat recreation and restoration in local areas e.g. peatlands and salt marsh. Woodland grants should support both the management of existing woodland resources and new tree planting in appropriate locations. This highlights the importance of agreements being locally appropriate – not all farmers have the right habitats to plant trees, but might have other vital habitats, like salt marsh, peat or ancient grasslands that they could protect and enhance. As well as being locally appropriate, these habitats and actions should link up with the national picture.

“Tier 2 should not just be locally targeted since it needs to join up with actions that are national like combatting climate change, and fit into a national land use framework” – farmer response, NFFN ELM Farmer Survey, July 2020

Overall, this payment should be determined by both national and local priorities and should be flexible enough to tailor to a farm or landscape context and flexibility to combine measures to maximise potential benefits. This should reflect local needs, with associated targets, objectives and monitoring and evaluation. There should scope for innovative and complementary mechanisms, such as reverse auctions, covenants and local commissioning.

Tier 3

The highest tier should devote strategic funding to the most ambitious farmers who wish to work together on a landscape level to deliver large-scale habitat restoration. These bigger projects should provide complementary land use change alongside nature friendly farming systems that already exist – for example High Nature Value farming systems that are low productivity but produce significant public goods – by creating a large mosaic of productive land alongside and integrated with big, restored natural habitats, especially on marginal and unproductive land.

We urge Defra to provide more examples of a wider range of habitats in Tier 3. This should include support for marginal farmers whose land is no longer viable through livestock production but does provide a host of public goods to convert their land, for example, by creating a lightly grazed mosaic of grassland, scrub and woodland. Natural regeneration should be paid for, reversing damaging policies under the CAP which required intervention for payments.

“None of the tiers mentions natural regeneration which is very often a better alternative to planting trees.” – farmer response to NFFN ELM Farmer Survey, July 2020

Tier 3 should not include large scale conifer plantations – which are bad for nature, dubious on carbon, and do not provide healthy and sustainable habitat alongside what farming already delivers.

10. Delivering environmental outcomes across multiple land holdings will in some cases be critical. For example, for establishing wildlife corridors or improving water quality in a catchment. What support do land managers need to work together within ELM, especially in tiers 2 and 3?

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

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

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

Additional funding for collaboration: there should be additional funding for clustering and a landscape scale approach, to represent the additional value these joint projects will deliver to the public. Farmers that want to collaborate to produce landscape scale results, for example species recovery or to improve water quality, should have access to additional support to help them do this, for example at a catchment scale. Working in partnership across multiple holdings should therefore be worth more to each farmer doing similar activities alone.

11. While contributing to national environmental targets (such as climate change mitigation) is important, ELM should also help to deliver local environmental priorities, such as in relation to flooding or public access. How should local priorities be determined?

93% of our farmers agreed that local priorities should be included in ELM. 83% of farmers thought that local landscape priorities should be a key determining factor, as well as farm business needs (60%) and local community engagement (50%).

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

12. What is the best method for calculating payments rates for each tier, taking into account the need to balance delivering value for money, providing a fair payment to land managers, and maximising environmental benefit?

Environmental payments should be fair and generous and make economic sense to farm businesses as well as environmental sense.

- Farmers should be able to access payments in line with their achievements and effort.
- Payments should reflect the genuine environmental or social value of the benefits farmers provide and be attractive to them.

- All payments to farmers should be paid monthly and on time. Problems with payment systems and processes, as well as causing economic problems for individual farmers and the industry as a whole, also undermine trust and enthusiasm for schemes in the future.
- Payments for public goods should provide all types of farmers, in all types of geographical and agronomic context, with an attractive income stream as part of a sustainable business model.

Payments should be go beyond a 'cost-incurred, income foregone' approach. Too often the true value of such options has not been reflected in the payments attached to them. This often limits uptake of particular interventions that require more difficult or expensive management, but can often provide significant environmental benefit.

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

Instead, there should be a 'market value' approach calculated on a local level, which represents the true value of the public good that the farmer is delivering. This would incentivise farmers to go beyond the minimal effort interventions. It also solves the problem of underpaying farmers, as plenty of farmers will actually need to spend above the average cost of an intervention, due to their location or specific circumstances.

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

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

13. To what extent might there be opportunities to blend public with private finance for each of the 3 tiers?

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

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

There is also an important role for the food supply chain in influencing how land is managed. Accreditation schemes can ensure that food produced to high environmental standards is recognised in the market. This could include highlighting food produced on land managed under ELM schemes.

Improved public awareness of ELM schemes would allow the public to understand better the link between their tax money, their spending on food and the management of the countryside.

14. As we talk to land managers, and look back on what has worked from previous schemes, it is clear that access to an adviser is highly important to successful environmental schemes. Is advice always needed? When is advice most likely to be needed by a scheme participant?

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

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

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

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

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

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

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

15. We do not want the monitoring of ELM agreements to feel burdensome to land managers, but we will need some information that shows what's being done in fulfilling the ELM agreement. This would build on any remote sensing, satellite imagery and site visits we deploy. How might self-assessment work? What methods or tools, for example photographs, might be used to enable an agreement holder to be able to demonstrate that they're doing what they signed up to do?

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

This highlights the range of options that ELM should test in the Pilots in terms of what works best for farmers as well as data utility.

Delivering a basic level of monitoring training to farmers would be good value for money. When farmers have a clearer understanding and confidence in what outcomes they are delivering, it will not only be easier to gather data and administer the scheme, but it will increase confidence and buy-in from farmers.

The public and local communities are also a wonderful resource, for example through creating assessments that can 'crowdsource' data from local people. Encouraging members of local communities to visit farms and help with surveying would be good value for money, and also help with public engagement with nature friendly farming, connection with where food comes from, and improve trust in farmers.

16. Do you agree with the proposed approach to the National Pilot? What are the key elements of ELM that you think we should test during the Pilot?

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

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

17. Do you have any other comments on the proposals set out in this document?

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

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

This work has also shown that to fit in with standard accounting conventions it is essential to start with the proposition that Nature is a stakeholder in every farming business. As such, Nature ranks with shareholders, subscribers, and proprietors as liabilities on the balance sheet.

We invite Defra to discuss these models with us, and utilise these principles when designing any new payments system.