

Department for Environment, Food and Rural Affairs

Health and Harmony: the future for food, farming and the environment in a Green Brexit

Background to CIWEM

CIWEM is the leading independent Chartered professional body for water and environmental professionals, promoting excellence within the sector. The Institution provides independent commentary on a wide range of issues related to water and environmental management, environmental resilience and sustainable development.

CIWEM welcomes the opportunity to respond to DEFRA on its consultation on the future for food, farming and the environment in a Green Brexit. This response has been compiled with the assistance of members from our Natural Capital Network, Water Resources Panel, and Water Supply and Quality Panel.

Response to consultation questions

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**

CIWEM is supportive of measures to simplify and improve the applications process. However, where simplification is undertaken this must not be accompanied by unreasonable reduction in budget and resource within the Rural Payments Agency (RPA). The RPA is currently over-stretched resulting in delays to processing applications and mistakes in payments. It is important that correct payments are made in a timely manner to allow farmers to invest in meeting regulation which benefit the environment.

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?

Simplification of the evidence requirements under Countryside Stewardship alongside rolling applications and monthly start dates may result in increased uptake of the scheme and therefore wider environmental benefits.

What is the best way of applying reductions to Direct Payments? Please select your preferred option from the following:

- a) Apply progressive reductions, with higher percentage reductions applied to amounts**

in higher payment bands *

b) Apply a cap to the largest payments

c) Other (please specify)

*** please provide views on the payment bands and percentage reductions we should apply.**

From an environmental perspective there does not seem to be any potential benefit from reducing payments to the largest claimants first. We would prefer equal incremental reductions to be made across all claimants.

Steady reduction of all claimant's payments on a proportional basis will help give a manageable decline over the transition period, encouraging farmers to engage early and adapt their practices to manage the financial consequences of withdrawal of direct support. Conversely reducing large claimant's payments first and smaller claimants payments at a later stage suggests phasing out would feel more like a cliff edge for smaller claimants which would be far harder for farmers to manage if they had not taken the initiative to forward plan.

To help reduce the financial impact of direct support withdrawal, we would like to see land managers supported during the transition period through productivity and business resilience advice, and access to increased options under a Government run agri-environment scheme. It seems appropriate for support to be particularly focused on sectors and regions where farmers will find it most difficult to remain profitable.

Timeliness of scheme payments will be very important during the transition as farmers are likely to be under greater financial pressure, so payment delays may be more detrimental to cash flow than in previous years. If there are to be delays, capacity to deal with financial hardship cases should be increased.

Poor management of the transition could result in environmental degradation, negatively impacting efforts to deliver a Green Brexit and aims of the Government's 25 Year Environment Plan. In giving evidence to the EFRA committee, Professor Janet Dwyer highlighted that forced rapid structural change of farms can result in environmental damage. It is therefore important that sudden changes to farming support and trade conditions are avoided to help reduce the threat of linked environmental damage.

Sustainable food production is more expensive at the point of production than unsustainable approaches and must be funded appropriately. If Direct Payments are not replaced by other income sources during the transition, we anticipate that environmental damage will occur.

What conditions should be attached to Direct Payments during the 'agricultural transition'? Please select your preferred options from the following:

a) Retain and simplify the current requirements by removing all of the greening rules

b) Retain and simplify cross compliance rules and their enforcement

c) Make payments to current recipients, who are allowed to leave the land, using the payment to help them do so

d) Other (please specify)

Where current measures such as the Three Crop Rule are not providing the intended benefits, it seems pragmatic to simplify the scheme by removing underperforming requirements.

However, removing all greening rules would seem perverse given the intention to increase focus on delivering environmental benefits.

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

We believe that equal proportional reductions should be made across all claimants during the transition period to encourage all farmers to prepare for future conditions.

How long should the 'agricultural transition' period be?

Based on past experience of transitional arrangements, we believe the transition period should be at least 5 years given the extent of the proposed changes. The transition period needs to be short enough to encourage immediate action but not so short as to cause panic within the sector, which might distract from delivering sustainable food and environmental husbandry.

To adequately prepare, farmers should have some degree of certainty about how the transition will be managed, the Government's vision for any future support scheme and the likely trade conditions that will apply from the end of the transition. The length of the transition should take in to account when such information may realistically become available.

How can we improve the take-up of knowledge and advice by farmers and land managers? Please rank your top three options by order of preference:

- a) Encouraging benchmarking and farmer-to-farmer learning**
- b) Working with industry to improve standards and coordination**
- c) Better access to skills providers and resources**
- d) Developing formal incentives to encourage training and career development**
- e) Making Continuing Professional Development (CPD) a condition of any future grants or loans**
- f) Other (please specify)**

CIWEM is supportive of the concept of UK farm businesses more effectively sharing best practice and adopting new technology. However, if farmers are to (potentially) be less well financially supported than presently, it is important that they will be able to access advice and training to help them improve their financial viability in other ways. Expecting them to do so with minimal support is unrealistic given the nature and scale of the potential restructuring of the industry which may result from the proposed changes.

We consider that options a and c will be important areas for focus. We also believe that access to funding to allow farmers to make improvements and investment following learning would be beneficial.

What are the main barriers to new capital investment that can boost profitability and improve animal and plant health on-farm? Please rank your top three options by order of the biggest issues:

- a) Insufficient access to support and advice**
- b) Uncertainty about the future and where to target new investment**
- c) Difficulties with securing finance from private lenders**

- d) Investments in buildings, innovation or new equipment are prohibitively expensive**
- e) Underlying profitability of the business**
- f) 'Social' issues (such as lack of succession or security of tenure)**
- g) Other (please specify)**

The underlying profitability of businesses should be a key area of focus for farmer support, particularly in terms of providing training. Option c may also be relevant, particularly as the decrease in direct payments will affect overall income against which money can be borrowed.

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

As suggested by the *Future of Farming Review Report (2013)*, well respected vocational courses and apprenticeships will be important to encouraging entry into the profession. It will also be important that education and development opportunities are available throughout individuals' careers. We would suggest that business and management skill receive increased focus. The availability of funding within businesses is key to the delivery of environmental and welfare benefits.

New entrants could be supported through training and mentoring opportunities and through access to grants to fund productivity improvements. We welcome the Government's commitment to "work with councils to encourage a vibrant network of council farms" as we believe that they provide good opportunities to new entrants to build their experience and asset base.

Part of supporting new entrants is ensuring the availability of opportunities by supporting older farmers through the process of retiring. This might include provision of advice on how to manage the transfer of management authority, how to work with a new entrant through a partnership arrangement, or how to find suitable alternative accommodation or employment in a less physically challenging role.

We believe a review of the operation of s.117 of the Inheritance Tax Act 1984 would be beneficial. Application of this section has in the past acted to encourage farming until death and worked to deny farmers agricultural property relief where health has prevented them from doing so.

Given the focus on shifting support towards the delivery of environmental goods, it would also be appropriate to review the definition of "agriculture" under the Inheritance Tax Act to prevent use of land for environmental purposes from resulting in loss of access to Agricultural Property Relief.

What are the priority research topics that industry and government should focus on to drive improvements in productivity and resource efficiency? Please rank your top three options by order of importance:

- a) Plant and animal breeding and genetics**
- b) Crop and livestock health and animal welfare**
- c) Data driven smart and precision agriculture**
- d) Managing resources sustainably, including agro-chemicals**
- e) Improving environmental performance, including soil health**

f) Safety and trust in the supply chain

g) Other (please specify)

Our top priorities for future research are improving environmental performance and managing resources sustainably. We would like to see the development of a case study evidence base to give examples of ways that sustainable and environmentally beneficial practices can marry with on farm productivity and profitability.

How can industry and government put farmers in the driving seat to ensure that agricultural R&D delivers what they need? Please rank your top three options by order of importance:

a) Encouraging a stronger focus on near-market applied agricultural R&D

b) Bringing groups of farms together in research syndicates to deliver practical solutions

c) Accelerating the 'proof of concept' testing of novel approaches to agricultural constraints

d) Giving the farming industry a greater say in setting the strategic direction for research funding

e) Other (please specify)

We would like to see greater farmer involvement in research to help ensure that it provides findings that are of practical use, and to give farmers confidence to adopt new practices informed by research findings. Without uptake of research findings, the value of the research is limited.

We see benefit in options a, b and d. Encouraging farmers to be involved in setting the direction of research and developing innovative, market appropriate solutions within research syndicates will ensure research is relevant and outcomes can be applied.

What are the main barriers to adopting new technology and ideas on-farm, and how can we overcome them?

The adoption of new practices following research is often lower than hoped due to poor awareness levels. Routes of knowledge exchange should be explored to ensure that maximum benefit can be gained from research commissioned.

Funding can be a key barrier to the adoption of innovation, with upfront costs for new technology being unaffordable. There can also be a reluctance to invest in technology as an early adopter if there is a lack of certainty in whether the benefits will be delivered. Grant funding and tax reliefs could both be considered in reducing these barriers.

What are the priority skills gaps across UK agriculture? Please rank your top three options by order of importance:

a) Business / financial

b) Risk management

c) Leadership

d) Engineering

e) Manufacturing

f) Research

g) Other (please specify)

We would like to see an increased awareness of the role that agriculture can play in affecting the environment, both positively and negatively, and a better understanding of how environmental factors can affect farm economics. Wider focus on developing and maintaining good business and financial skills would also be beneficial.

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**

We strongly believe that the listed options are all important public goods which should be delivered, though the importance which should be attached to them will vary depending on local context. If Government is to achieve the targets set out in its 25 Year Environment Plan, (leaving the environment in a better condition for future generations than that which it inherited) then delivery of public goods is necessary. In some cases, delivery is essential for supporting public health. Clean air and water, for example, are basic human needs which must be met. However, progress in all of these areas is needed given ongoing challenges relating to biodiversity decline, soil fertility loss, air pollution and climate change in particular.

Our priorities for delivery are improved water quality, improved soil health and climate change mitigation, which should also cover the improvement of air quality. In providing these public goods we recognise that measures implemented could significantly contribute to the delivery of other objectives. For example, riparian buffer strips to help reduce diffuse water pollution will also provide biodiversity benefits.

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**

Farm profitability, and so productivity and competitiveness, will be important in providing sustainable funds that can be used to deliver environmental benefits. Within this it is essential that productivity is seen as a measure of efficiency, taking into account long-term sustainability of practices, and does not focus on yield alone. An understanding of the impact of environmental measures on productivity and profitability will also be very important.

Traditional landscapes that are well managed currently provide environmental benefits such as water filtration and carbon sequestration, and it is important that such management of these landscapes can be enhanced to optimise a wide range of ecosystem service delivery

processes. The economics of upland farming do not reflect the potential environmental value that they can provide if managed in the right way. Action to support often marginal upland businesses should be considered and may require a separate approach to that of support for the wider agriculture sector.

Countryside access can help link producers and consumers, with increased understanding informing buyer choices. We believe that it is important that society understands food production and how farmers also work to benefit the environment. Access for education, of all types of visitors not only school groups, should be supported by grant funding where necessary. Farmers should be supported in maintaining public rights of way where needed. Increases in public access should be balanced against farm security and health and safety concerns.

We would note that in being specific about crops, tree, plant and bee health, option c above neglects fundamentally important other components of farm ecosystems which are commonly suffering decline, such as birds and other pollinators such as butterflies. It may be more appropriate to consider this as wider farm biodiversity health.

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

We believe that flood risk management is a public good which should be supported by either Government, the insurance industry or home owners collectively. Farmers can work collaboratively to manage flood risk through natural flood management techniques, but this would need to be coordinated with other stakeholders engaged with flood risk management.

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)**

Catchment based approaches have provided clear benefits in the past. Working collaboratively at appropriate management scales provides more benefit than individual action as a result of the increased scale, connectivity and consistency of approach achieved.

We believe that catchment based approaches could contribute to the delivery of: improved water quality; flood mitigation; habitat creation, expansion and restoration; species recovery; carbon sequestration; and improved air quality.

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

We strongly support an outcome based natural capital approach underpinning future agricultural policy and would like to see it constructed to deliver against the polluter pays and beneficiary pays principles.

In the long-term, we envisage environmental benefits being funded through the private sector where beneficiaries are identifiable and via the Government where benefits are truly public. Public money might be sourced from across the public sector rather than solely from DEFRA. For example, where health benefits are provided the NHS could contribute to funding. To achieve a natural capital approach a well-developed and administered system of natural capital accounting will be needed.

We believe that implementation of a true Payments for Ecosystem Services (PES) approach to delivering public goods is not currently realistic because it's not sufficiently mature to be applied as widely as would be required.

We consider that at present there are several barriers to the uptake of outcome-based payments:

- Government use of payment for outcomes has the potential to create farmer engagement issues if a farmer has undertaken agreed actions but is not paid because the required outcome did not materialise. If confidence in ability to deliver is low, it seems likely that farmer uptake will also be low, though this will depend on farmers' attitudes to risk which vary widely.
- There is a need for further research on outcome measures and proxies, and agreement on how to account for the impact of external factors on ability to deliver outcomes. Additionally, uncertain or long outcome delivery timeframes are likely to give rise to questions around appropriate timing for payments, particularly where upfront investment is needed.
- Buyers and providers also currently lack confidence in the valuation of environmental goods, which limits negotiation. Payments for outcomes should exceed payments for management activities, to reflect the deliverer's increased exposure to risk, which may not be a good use of public money.

Potential alternative approaches for short term use could be payment for delivery of management actions, as is currently common practice, or delivery of agreed proxies where the required benefit is difficult to monitor or quantify. These options seem more realistically deliverable, which will be important as farmers adjust to new trade conditions.

To allow transition to an outcome-based system in the future, the Government could play a role in assisting development of a PES approach in the private sector through: researching and promoting valuation methods, acting as a first loss investor in flagship projects, providing guidance on how to deliver environmental benefits, and addressing the current lack of suitable metrics for delivery.

The Government should also review mechanisms for delivering environmental benefits over the long-term. Benefits from environmental schemes are only secured for the life of the scheme, which can be relatively short in an environmental context.

Conservation Covenants have the potential to provide a mechanism for long-term delivery of environmental management. However, we do not agree with the Law Commission's recommendation that only "responsible bodies" should be able to enter into agreements with landowners. Conservation Covenants should be a commercial answer to mutual needs of unrestricted buyers and providers.

Voluntary long-term management of land for environmental benefit should not result in land being statutorily designated. Where farmers perceive a risk of designation, as happened in the case of *Fisher V English Nature*, they will feel less inclined to provide benefit through management.

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

A partnership approach, with locally formed catchment partnerships overlapping with partnerships operating at larger scales, would help ensure that both local and national environmental issues receive attention. Partnership working can be costly to administer. The Government should consider what funding could be made available to support collaborative approaches to management.

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

The use of diverse partnerships would allow a holistic approach to environmental management by facilitating good understanding of environmental issues and providing a space for innovative approaches to be explored.

However, development and management of partnerships can be expensive and very time consuming. The facilitation fund available under Countryside Stewardship provided some support for developing partnerships. Future financial support will be important in encouraging collaboration.

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

The environmental benefits provided by management of landscapes, particularly those whose merit has been formally recognised through designation, should be appropriately valued and either paid for by identifiable beneficiaries or commissioned by the government on behalf of the public.

Many National Parks include uplands, whose farming economics are generally recognised as very difficult. If upland farmers are not supported, they will likely go out of business which may result in sale of the land. New owners might not choose to manage the land traditionally, which would result in landscape impacts and may also affect local communities through reduced employment opportunities and potentially rural to urban migration.

How can we improve inspections for environmental, animal health and welfare standards? Please indicate any of your preferred options below.

a) Greater use of risk-based targeting

b) Greater use of earned recognition, for instance for membership of assurance

schemes

c) Increased remote sensing

d) Increased options for self-reporting

e) Better data sharing amongst government agencies

f) Other (please specify)

Compliance measures help ensure that maximum benefit is gained from regulations. We believe most benefit from available resource may be gained through targeting compliance inspections in areas of high risk. Determination of risk could be assisted by modelling and remote sensing data, particularly in regard to the risk of diffuse pollution.

We welcome the new approach to enforcement for the Farming Rules for Water and believe that farmer support and education will see better results than application of fines.

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

Regulation surrounding water quality could be strengthened to help prevent pollution from agriculture. This should include removing the historic exemption from Silage Slurry and Agricultural Fuel Oil (SSAFO) rules for installations constructed before September 1991. However, we recognise that in many cases farmers are unable to fund improvements required to meet current regulatory standards.

Whilst it is not the norm across industry, and should not become so, it would be pragmatic to provide grant funding to help farmers bring their existing operations within accepted regulatory standards. For example, many dairy farmers cannot afford to expand existing slurry stores to provide sufficient capacity for their current operations. Providing grant funding towards increasing capacity, to a sustainable level for the land it supports, would help decrease the risk of non-compliance with relevant regulations, for example Nitrate Vulnerable Zone regulations and the new Farming Rules for Water.

In future we would like to see markets for food and ecosystem services provide sufficient return to allow farmers to fund compliance measures through reinvestment.

We also support the stronger focus on the polluter pays principle. However, implementation of the polluter pays principle seems unreasonable where market income cannot support the required compliance costs. This is seen to be the case currently, which is evidence that market failures exist. We would like to see a review of supply chains and their role in ensuring that food is sustainably produced, procured and funded. Any review should cover production standards, including the unsustainable waste of cosmetically imperfect produce, and financial returns across the supply chain.

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

DEFRA should review what opportunities there may be within the tax system to allow farmers to manage their exposure to volatility.

What are the biggest barriers to collaboration amongst farmers?

We perceive the main barriers to collaborative working as farmer attitudes and lack of funding to facilitate administration of a partnership approach. Farmer attitudes that act as a barrier include lack of confidence and lack of awareness of potential personal benefits from collaboration.

The Government could promote the benefits of farmer to farmer knowledge exchange and incentivise the initiation of meetings through guidance and provision of funding. Farmer discussion groups could improve uptake of best practice approaches without formal agreement. Farmer cluster groups have worked well to deliver biodiversity benefits in the past.

Consistency of management approaches between farmers can also be achieved through an external facilitator. For example, the Catchment Sensitive Farming (CSF) approach achieves catchment scale improvements for water quality through a Catchment Sensitive Farming Officer agreeing appropriate actions with individual farmers within the catchment and supporting them in implementing those actions. The more farmers that agree to partake the greater the benefits that can be provided. Limited funding restricts the geographical reach of the CSF approach which could otherwise provide benefits more widely.

Collaboration can provide better water and air quality, increase biodiversity and reduce flood risk.

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?

Supermarkets have strong influence over the standards to which farmers produce food. This can be both positive and negative. On the one hand it provides a mechanism to ensure high environmental standards, which is positive.

On the other hand, supermarkets represent a large market for food producers, creating a power imbalance. There is concern within the industry that increased standards (which CIWEM supports) will become the norm and as a result high quality, sustainably produced food will not be able to command a market premium to reflect the additional costs incurred in production. This would result in farmers being expected to provide more sustainable produce for no additional financial reward, when arguably the current payments received by farmers are not high enough to reasonably support suitable production methods. Any revised labelling scheme should take this risk into account.

If farmers are required to produce food to high environment and welfare standards, the potential benefits of this must not be mitigated by sale of cheaper imported food produced to low standards. In a global society outsourcing production of environmentally damaging cheap food should not be acceptable. Importing cheap food would also undermine markets for more sustainable food produced domestically.

As we have stated above, there may be a role for the Government to play in ensuring that food suppliers strike a reasonable balance between making affordable food available, generating profit and paying the producer a fair price that will support sustainable production.

It is important that the price of food supports sustainable production. Government focus on the cost of food has resulted in relatively cheap prices on the shelves with large external costs in the form of agricultural subsidies and payments for environmental repairs. Paying to repair damage resulting from unsustainable farming practices is not efficient. Policies and funding should focus on mitigating the risk of environmental damage from food production, not repairing damage that has been allowed to occur.

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?

Threats to the environment transcend national boundaries so complementary approaches across the devolved nations are necessary to ensure suitable protection. Policy divergence within a framework may provide benefit through allowing space for innovation and learning from practice. Relevant bodies must have sufficient funding and resources to be able to implement a common framework and learn from each other.

Environmental issues that require a common framework include water management, air pollution, climate change mitigation and biodiversity.

We hope that these comments are helpful to you, if you would like us to expand on or clarify any of the points made, please don't hesitate to get in touch with us.