

Heart of the South West Local Enterprise Partnership

LEP Board Paper agenda item 6 i)

Report title: Food & Farming Update

Date: 28 January 2022

Purpose: This paper is for **noting**.

Link to LIS: Indicate by **bolding** which area the paper links to.

Inclusive Growth		Clean growth		
Energy		Engineering	Digital	
Ideas/ Innovation	People/Skills	Infrastructure	Bus. Environment	Places

Timing: Ongoing

Financial Impact: None

Decisions requested: None

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Summary

This paper briefs the Board on Defra's proposals to transition funding for the agricultural sector away from the Basic Payment Scheme to a new Environmental Land Management Scheme and provides an update on three priority actions over the last few months. It also summarises the new Build Back Better transformational programme for the Food & Farming sector.

1) **Background**

- 1.1 The food and farming sector is an important part of the economy and rural life across the Heart of the South West, as well as being inextricably linked to the area's natural capital. We have a higher than average concentration of farmers, fishers and food & drink producers, are home to more cattle than any other LEP area in England (the SW as a whole hosts nearly 40% of all dairy cattle in England, Defra Agricultural Facts 2019), and Brixham and Plymouth are two of the top fishing ports in England. If current patterns of food consumption persist, 60% more food will need to be produced globally by 2050 at the same time as we need to reduce greenhouse gas emissions within agriculture. 'Sustainable

intensification' will enable yields to be increased without adverse environmental impact and without the cultivation of more land. The agricultural transition therefore provides us with an opportunity to lead the way in sustainable food production that goes hand-in-hand with enhanced environmental delivery, and Net Zero delivery.

1.2 The sector is however facing a period of significant change with the move away from the EU Basic Payment Scheme to Defra's Environmental Land Management Scheme, and overarching Agricultural Transition Plan (ATP). Like many businesses, the sector is also facing several challenges:

- Supply chain issues – HGV Transport, supply of some pre-production consumables and fuel price increases continue to impact the supply of some foodstuffs to market.
- Phosphates/Nitrates – regulations that define slurry use are impacting farmers through a number of cost-based impacts. Business growth based on generating increased slurry is reflected in the planning process. There are some on-farm management solutions but in the last year there has been an increase in enforcement actions. Changes to rules governing spreading/application means that storage as a non-profit generating cost is leading to difficulties. Dairy farming is seeing a rise in costs and forecasts predict businesses tipping over into loss. Meat production is suffering difficulties due to Brexit and new Australia trading agreements impacting markets for lamb in particular.
- Business impacts – labour supply continues to cause problems across food production businesses, from farmgate to manufacture and distribution. Changes in working patterns and demand for work is making recruitment more challenging. Shrinking margins make this situation more difficult with the only solution being productivity growth as a driver for new employment. R&D investment is a key driver of productive growth and there are still significant differences in UK approaches as compared with EU countries. Crime is mostly characterised as low-level in rural settings but this continues to impact food businesses. Livestock and infrastructure theft continues to cause nuisance and is further impacted by staffing and low margins.

1.3 This paper provides a summary of Defra's proposals to transition funding for the sector away from the Basic Payment Scheme (BPS) to a new Environmental Land Management Scheme (ELMs). It also provides an update on three priorities that we are particularly focussed on: research into the value and impact of BPS both on the food and farming sector but also the rural economy as a whole; establishment of a Whole Farm Business Advisory Service for farmers and landholder; and increasing public sector food procurement from local producers.

2) Environmental Land Management Scheme

2.1 The new Environmental Land Management Scheme (ELMs) is a combined programme with three distinct areas:

- Sustainable farming initiative
- Local nature recovery
- Landscape recovery

2.2 According to Defra's recently published ELMs outcomes document, the three ELMs programmes will combine to deliver a range of climate and environmental benefits: bringing soil under sustainable management; reducing agricultural emissions; creating woodland; halting the decline in species; reducing the main agricultural pollutants that enter watercourses; and restoring rivers, lakes and other freshwater habitats.

2.3 ELMs differs from the existing Basic Payment Scheme (BPS) in that it is open to more than just agricultural land and aims to pay for publicly valuable environmental good. This means ELMs will pay for activities that contribute positively for every citizen in the form of increases in biodiversity net gain and better landscape recovery. Historically, BPS has been paid to all farmers/land owners/managers for ongoing farm activity and to financially support farming income (Savills; research article 2019). The table below has been produced by the Rural Payments Agency and indicates the value of BPS reductions as the scheme winds down.

Changes to the Basic Payment Scheme (BPS) from 2021: progressive reductions

As you may be aware, we plan to phase out the payments in England from 2021 to 2027.

This means from the 2021 scheme year, we intend to reduce any BPS payments you receive by the following percentages. (Your BPS 2020 payment will not be affected.)

Payment Band	Reduction
1. Up to £30,000	5%
2. £30,000 - £50,000	10%
3. £50,000 - £150,000	20%
4. More than £150,000	25%

Payments will be reduced progressively. All payments will be reduced but there will be bigger reductions on the highest payment bands. These bands will work like income tax bands. For example, everyone will have a reduction of 5% on their first £30,000 of payments in 2021.

We will continue to reduce payments by the following percentages in 2022-2024.

Payment Band	2022	2023	2024
1. Up to £30,000	20%	35%	50%
2. £30,000 - £50,000	25%	40%	55%
3. £50,000 - £150,000	35%	50%	65%
4. More than £150,000	40%	55%	70%

The following table shows how payments will be reduced from 2021 to 2024.

Payment value before progressive reductions	2021 payment	2022 payment	2023 payment	2024 payment
£5,000	£4,750	£4,000	£3,250	£2,500
£10,000	£9,500	£8,000	£6,500	£5,000
£20,000	£19,000	£16,000	£13,000	£10,000
£40,000	£37,500	£31,500	£25,500	£19,500
£80,000	£70,500	£58,500	£46,500	£34,500
£160,000	£134,000	£110,000	£86,000	£62,000

Payments will be reduced each year until the final payments for the 2027 scheme year. We will invest all the money from these reduced payments back into farming and the countryside.

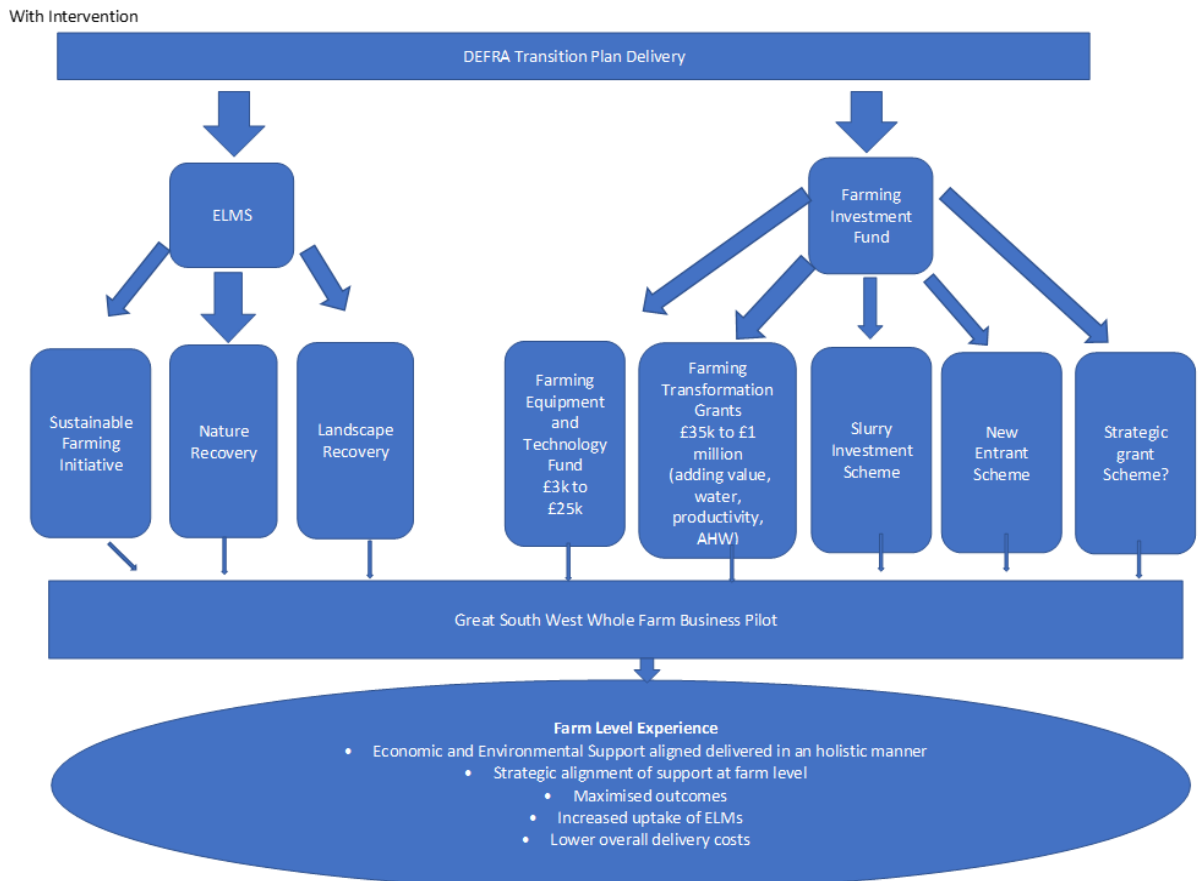
- 2.4 Defra has recently announced further details on the Local Nature Recovery scheme and Landscape Recovery scheme, which will be rolled out as part of Environmental Land Management (ELM). The Local Nature Recovery scheme will pay farmers who feel able to apply for locally targeted actions which will make space for nature in the farmed landscape and countryside. The Landscape Recovery scheme will support more radical changes to land-use change and habitat restoration such as establishing new nature reserves, restoring floodplains, or creating woodland and wetlands.
- 2.5 There is some concern regarding the detail around these schemes and how they fit with domestic sustainable food production. There is also concern that these schemes appear skewed towards large land owners; and it is not clear how tenant farmers will be able to access long term schemes like this. Local Nature Recovery will form part of a suite of funding packages, and more clarity will be needed on how these schemes can work together – for example for farmers to put part of their land into the proposed Sustainable Farming Incentive with the remainder in LNR or a similar scheme – particularly as none of these schemes alone will plug the gap left by the removal of BPS.
- 2.6 At a time when public support for British food and farming is at a high, the biggest concern is that these schemes may result in reduced food production in the UK, further impacting food security and farm resilience.

3) Basic Payment Scheme Research

- 3.1 Stakeholders have been calling for Defra to assess the value and impact of the Basic Payment Scheme across England to help shape the design and transition arrangements for the new funding scheme. Unfortunately, this continues to be a gap in our knowledge and therefore we are commissioning the research ourselves on behalf of the Great South West Partnership, which is providing £15,000, and the NFU, which is providing £5,000. This research will:
- Identify the current financial value of BPS;
 - Map and compare claims across the GSW geography; and
 - Calculate the financial impact of transition from BPS to ELMs.
- 3.2 The scope and methodology of this GSW research will mirror an earlier piece of research undertaken for the Gloucestershire Local Nature Partnership by the Countryside and Community Research Institute (CCRI). It will also draw on the current Defra evaluation of the Interim Future Farm Resilience Fund (FFRF) programme to identify gaps in the way that farmers have accessed business support and allow the LEP and partners to better evaluate the roll out of interventions and how farmers will be able to adapt to future challenges.
- 3.3 A significant benefit of our research will be the opportunity to use this transition phase and the experience of FFRF programmes to offer further insight by identifying future farming/land use impact up to 2030.

4) Whole Farm Business Advisory Service

- 4.1 The Whole Farm Business Advisory Service is similar in purpose to the Interim Future Farm Resilience Fund. Devon County Council has been running a pilot FFRF programme across Devon and Somerset in the last year, working with Business Information Point delivering much of their programme. The current pilot phase was due to close in the next couple of months but Defra has recently agreed to extend it by 6 months; and the new FFRF programme is expected to start delivery in September 2022. The table below illustrates how the service would work:



- 4.2 At around the same time the initial phase of the FFRF was being rolled out, CIOS LEP (noting the potential challenges faced by farm businesses in transitioning from BPS to ELMs, ongoing resilience issues, Brexit and new global trading impacts) sought to create an integrated whole farm support package that delivers a holistic and specialist approach to farm-level business support. The CIOS approach is to simplify and streamline a plethora of information and public funding to improve engagement by farmers. The approach would involve a deep dive into all aspects of the farm business and initial costing suggest a unit price of £2,500. The Whole Farm Business Advisory Service differs from existing FFRF provision by taking a holistic rather than individual issue approach.
- 4.3 Defra consulted with selected organisations on the next phase of the FFRF in late 2021 and HotSW LEP, in conjunction with CIOS LEP and Dorset LEP, submitted a response advocating a Whole Farm Business Advisory Service comprising the following activities:

- i. Strategic co-ordination aligned to the Growth Hubs to act as the single point of entry, undertaking benchmarking and co-ordinating necessary functions to deliver the whole farm/business approach.
- ii. Technical, financial and environmental advice that is business specific and tailored to set the business on a trajectory of improved business productivity and environmental performance.
- iii. Co-ordinated access to ELMs and other Farming Investment Fund support into a holistic package of support designed to deliver accelerated improvement in economic and environmental performance at business level.

4.4 The Growth Hub will be able to utilise its extensive network and partnership of professional agents to offer both farming and diversification advice. It is also well placed to work through its network and, add other on-farm advisors to maximise recruitment and engagement of the farming community whilst also ensuring the widest possible breadth of advice and support (covering traditional farming and new diversification needs) is made available. Providing a single service across the GSW geography will ensure that beneficiaries know where to go for this support, avoid duplication/double counting by competing providers, and enable closer working where prudent to facilitate the sharing of best practice as well as resource sharing to bridge availability if necessary. The consultation indicated that the FFRF bidding round will open towards the end of February 2022 for a start date in September 2022, with an indicative budget of £1,000 per beneficiary.

5) Public Sector Food Procurement in the South West

- 5.1 The South West Food Supply Chain Mapping Study is a piece of research designed to identify the objectives, priorities and barriers food public sector procurement professionals work with when designing and contracting the supply of food. The project is focused on what gaps exist in terms of products local purchasers order and the goods and food local suppliers can provide. The University of Exeter is undertaking the research, led by Professor Matt Lobley from the Centre for Rural Policy Research, and has sought to speak to public service food procurement teams including the NHS, MOD, local Care Homes and others such as schools. The project has been jointly funded by HotSW and CIOs LEPs, Somerset and Devon County Councils and the NFU.
- 5.2 The project is now coming to a conclusion with a total of 39 survey responses received. There have been some difficulties in gaining access to speak to the right procurement people within larger public sector organisations, in particular the NHS and MOD. The University are in the process of trying one further time to engage with them, although some respondents have cited time constraints as a limiting factor in completing the survey.
- 5.3 The University of Exeter have recently submitted the draft report, Public Sector Food Procurement in the South West, which includes a set of recommendations. This draft report is attached. Professor Matt Lobley will present the findings at the Board meeting, and his presentation is also attached. The aim is to finalise the report by end of February 2022 and to publish and promote the report and recommendations w/c 2/3/2022. A public event is also being considered to launch the report. Project partners have agreed to meet one

further time to discuss 'Next Steps', with a particular focus on how to take forward and implement the recommendations.

6) South West Food Hub

- 6.1 The South West Food Hub is a CIC set up to support local food purchasing, shortening supply chains, improving the sustainability of food production and consumption. By 2026 their ambition is to see 50% of all publicly procured food supplied from within the South West Region. HotSW LEP have supported this project with £20,000.
- 6.2 The SW Food Hub have been working towards establishing a Dynamic Public Sector Food Procurement Platform. This is an online mechanism that will enable local smaller food producers to make their products available to larger public sector bodies. Unfortunately, Crown Commercial Services withdrew its proposal to run a pilot platform in the South West and so the SW Food Hub have now partnered with Dynamic Purchasing UK. DPUK are looking to work with public sector partners across the country to develop an online marketplace for public sector food procurement. This platform will enable more local small businesses to supply into the larger bodies and is expected to launch later in 2022.

7) Build Back Better Plan

- 7.1 We are currently undertaking a light refresh of the Build Back Better plan, in part to better reflect the transformational opportunity for the food and farming sector that we need the transition from BPS to ELMs to be, alongside the UK's net zero commitment. We have therefore developed a new transformational programme to help drive this area of work, integrated closely with our commitment to natural capital.
- 7.2 The new Build Back Better programme aims to establish the Heart of the South West as a test bed for new food and farming practices and nature based solutions by:
- Supporting the recovery and future of agriculture by ensuring advice is provided on a whole farm basis and is linked to support that addresses other long term challenges that lie behind the sector's relatively low productivity, ensuring a future for our family farms;
 - Driving a culture change within the public sector and making public procurement more accessible to regional producers and suppliers;
 - Where there are opportunities to expand the local food economy and add value, enabling more food and drink from the region to be processed locally, to supply our local communities; and
 - Maintaining and enhancing ecosystem services to provide resilience and support a positive transition to net zero.
- 7.3 The proposal is to drive delivery of this activity with a new programme board, akin to the others that have been established for the Build Back Better transformational opportunities of sustainable aviation, energy and digital.