

## Environment Secretary shares further information on Local Nature Recovery and Landscape Recovery schemes

It is a pleasure to address the conference again. Sadly, virtually once again, which we had hoped to avoid this year, but let's hope we're close to turning the corner on this pandemic and endless COVID restrictions, and that we will be able to return to normal next year.

Today I just wanted to set out a little bit of further detail about our future agriculture policy. And to start with, it's important to note that EU area payments that we've all become used to in the last 15 years or so, are a relatively new concept. They came out of the 2003 CAP reform, and in some ways they were born out of an economist's obsession with so called decoupling. But what's become increasingly apparent in recent years is that a subsidy on land ownership or land tenure can be every bit as distorting as an old style production subsidy.

It has inflated land rents, it has caused people to hold onto land just to collect the payment when they might otherwise rent that land out. And with hindsight, therefore, the advent of area-based subsidies was probably a mistake in my view.

A better approach might have been to start to introduce environmental conditionality to the previous support regime that was in place. Secondly, to progressively reduce the size of those subsidies, and to simultaneously increase the payment rates in the agri-environment schemes in the old pillar two of the Common Agricultural Policy.

The concept behind the approach that we are taking now to future policy is fundamentally different to that which we inherited from the EU. Whereas the EU regime was very much a single subsidy based on land ownership and land tenure, and then a single complex book of rules that everybody needed to follow, the new approach will be phasing out those subsidies for land ownership and land tenure. They will dispense with that old style, rigid, top down rulebook and instead we will be replacing the schemes with new payments to incentivise sustainable farming.

These new payments will not begrudge farmers a margin for doing the right thing for the environment, and in that sense they will represent a departure from the income foregone principle that was used by the European Union. Rates instead will be set at the level needed to incentivise uptake required on the scale we need to deliver our environmental objectives.

Now I know that, for understandable reasons, farmers sometimes approach this issue of agriculture policy reform with the question: "How will I recoup the money that I currently receive through BPS?" But for Government, the question is slightly different. We now have legally binding targets for the

environment, most notably a target to reverse the decline in nature by 2030. And we have a responsibility as a Government to ensure that the payment rates we make are attractive enough to incentivise the uptake of our schemes on the scale needed so that we can hit the targets we've set ourselves and to which we are legally bound to deliver.

The key difference with our future schemes is that we are seeking willing participants who are attracted to the schemes because of the payment rates we're making. The new schemes will be modular. Some businesses may embrace the scheme at all its levels and embrace it with a high level of ambition. But for other businesses, it may be a smaller part of their overall business model. The key thing is that the choice will be theirs.

The shape of our future policy is already starting to emerge, and we're already rolling out elements of it. We've already launched our new Animal Health and Welfare Pathway. This means that any livestock farmer who's currently a claimant of BPS will be entitled to a funded visit from a vet once a year to put in place an animal health strategy. We know that for many farm businesses, calling the vet is an expensive business, usually reserved for times of crisis, often in the middle of a night when something is going wrong when they are calving a cow.

But we also know that the difference between the best financial performance on livestock enterprises and those that are suffering from poor profitability is often very closely linked to animal health on the farm, and we know that if we can reduce mortality on farms, if we can reduce conditions such as mastitis in the cattle sector, and if we can address issues such as lameness in the sheep sector, these can all have a direct impact on a farm enterprises profitability. And so having an annual visit from a vet with a more strategic focus about how to enhance animal health on an individual holding, could have a really powerful impact.

I've had some farmers say to me that they already do this, in which case, they will now receive a payment for something they already do. But for those who don't already do this, I hope that they will take up this payment, since it's not going to cost them anything to do it. And we will be rolling out other components to enhance animal health and welfare in the future.

We've also set out already plans for the Sustainable Farming Incentive. This is all about trying to incentivise a more sustainable approach to farming right across the farm landscape. Initially we're focusing on promoting soil health, but there will be future modules on things like sensitive hedgerow management and integrated pest management.

I know that some of the green NGOs were critical of the Sustainable Farming Incentive when it was launched late last year. But I totally reject that criticism. The truth is that we will never deliver our targets for the environment unless we see some changes across the farm landscape. The way that we manage our soils is inextricably linked to the quality of our watercourses, which has a direct impact on many of our protected sites.

And we know that hedgerows are probably the single most important ecological

building block that we have in the farm landscape, and how we manage them matters. And we know that if we can incentivise integrated pest management and get a general reduction in pesticide use, that will also have an impact on invertebrates and pollinators. So it's going to be a crucial part of our approach to delivering the environmental targets that we've set ourselves.

Today I want to say a bit more about the other two components of our future agriculture policy. That is Local Nature Recovery, and Landscape Recovery. Local Nature Recovery will replace the existing Countryside Stewardship scheme. Most holdings have a part of the farm that is perhaps not really suitable for crop production, or less productive, or difficult to work.

There is an opportunity to make those parts of the holding a special space for nature. It could be a part of the field, could be an area in a valley that's particularly suited to this where there's an opportunity to create water features and ponds. To establish woodland creation within that farm holding. To establish species-rich grassland, and to replicate some of the conditions of traditional meadows, many of which we've lost, and to create breeding areas for wildlife.

We've learned from the pilots that there's also a great deal of interest in partnership working, real enthusiasm for groups of farmers in a particular geography, coming together to do projects jointly. We've made available facilitation funding to support that kind of partnership working, which has been so popular and that will also be a feature of the new Local Nature Recovery scheme.

In the meantime, we of course have Countryside Stewardship. And I want to say today that farmers should regard the Countryside Stewardship scheme as a bridge to Local Nature Recovery. Last year we saw a 40% increase in demand and applications for Countryside Stewardship. We now have over 40,000 farmers in England participating in either Countryside Stewardship or legacy Higher Level Stewardship (HLS) schemes. We also know that if we can increase the numbers involved in the scheme then it increases those who are prepared for the new Local Nature Recovery scheme.

Today, I can also announce that we are increasing the payment rates for Countryside Stewardship. On average, we are going to increase rates in Countryside Stewardship by around 30%. This sends a powerful signal to farmers that we want them to get involved in Countryside Stewardship. For those who are early adopters and have already been engaged in Countryside Stewardship, they will automatically see an increase in the payments they receive for the work that they are already doing. But for those who have not yet engaged with Countryside Stewardship – the 40,000 or so who have chosen not to so far, I would urge them all to look again at Countryside Stewardship. We've made it simpler. We've removed some of the stifling bureaucracy that was a feature during the EU era, and we are increasing those payment rates.

The final component of our future policy is Landscape Recovery. This is going to be about much more fundamental land-use change. To begin with, we are looking for 15 projects ranging in size from around 500 hectares to 5,000

hectares. It could be individual landowners or groups of landowners coming together.

One of the lessons that we've learned from projects like Knepp, which is obviously a very radical rewilding experiment, is that sometimes if you let go of the reins and allow nature to re-establish itself and have a nature-led recovery of habitats, you can see some quite significant changes in a relatively short timeframe. The focus of the Landscape Recovery scheme is going to be very much firstly on recovering threatened species in England, and secondly to support that objective, delivering the recovery of priority habitats.

The types of projects we envisage under Landscape Recovery won't be right for every farm business or every farm holding. And indeed, they probably won't be right for most farm businesses, but it will be right for some, and it will enable us to support a choice that some landowners may want to take. We won't be requiring anybody to enter these schemes. We will be putting in place the right incentives, the right kind of payment rates to support the choices of those who would like to do so.

It's important that we recognise the truth around land use. If we are to deliver the targets we've set ourselves for woodland creation in England – around 10,000 hectares of trees per year – and if we're to deliver our objective of getting 300,000 hectares of land where habitat is restored, there is inevitably going to be a degree of land use change. I know that that causes some people some concern. But you have to look at the numbers we're looking at in the overall context. Of the fact that we have some 9.3 million hectares of farmland in England, and so we are only looking at change taking place on a relatively small area of that land.

We of course need to keep a very close eye on food security. The government now has a legal responsibility to review our food security every three years. The first report of that Food Security review was published shortly before Christmas, and it shows that we have strong levels of self-sufficiency in many sectors at the moment. We also know that there isn't a direct correlation between the amount of land that is farmed and our agricultural output.

Indeed, much of the growth we've had in agricultural output has come from sectors such as poultry and horticulture – which use very little land – and around 60% of our agricultural output comes from just 30% of land. So we know that it is entirely possible to maintain our food production, indeed to increase our food production, but to do so in a more sustainable way in some areas, and to also see some land use change in some other areas.

Finally, it's important that we keep a close eye on farm profitability. As I said earlier, since the 2016 referendum result, farm incomes have generally recovered. Farm incomes and commodity prices are very closely linked to exchange rates and to oil prices. There's also a growing world demand as the population grows and as demand for some proteins also expands.

As a result of this, we've seen the price of beef and sheep running at very

strong levels. We've seen gross margins in some of the cereal sector increase by around 30%. And it's of course difficult to know at this stage, how much of that change in farm-gate prices is structural, and how much of it is temporary. Exchange rates will inevitably change at some point again in the future. But it is possible that there will be some permanent structural change in those farm-gate prices. And that's quite critical to us ensuring that we have profitable food production in this country.

In conclusion, I've always said that this should be an evolution, not a revolution. That's why we set out a seven year transition period. But I hope today I have been able to articulate a clear path that we have towards our final destination, and the critical importance that schemes like Countryside Stewardship have to give farmers a bridge from the old schemes to the new.

In designing our future farming policy we are not just thinking about the farmers of today. Important though that is, we're also thinking about the farmers of tomorrow. The farmers we don't yet know, perhaps those who always yearned to go farming but couldn't get access to land. We have a whole generation leaving education today who are probably more environmentally conscious than previous generations. They're valuing different things in their career choices. They want to deliver things that are real and tangible and matter and make a difference.

I think there's an exciting future for the vision that we have for agriculture and sustainable agriculture, and the delivery for nature and the environment that can attract that new generation to our industry.

Thank you.