



Consultation Response:

Direct Payments to farmers: Lump sum exit scheme and delinked payments in England

Blueprint answers

Lump sum specific questions:

Q9. To qualify for the lump sum, an owner-occupier who chooses to rent out their land must do so on a Farm Business Tenancy with a minimum term of five years. Do you agree? Please give reasons for your answer and if you select 'no' please explain what rules you would prefer to see instead. • Yes • No

- *No*
- *If the current owner/occupier rents the land on a five year FBT from 2022 onwards under the lump sum requirements, they could end the tenancy in 2027 (end of transition period) and take back control of the land.*

This is a loophole that has to be removed, as it could lead to situations where the landowner is the only beneficiary in the long-term. Moreover, horticultural and other farming businesses, can take on average 5-6 years to breakeven and in recognition of the need for more environmental farming practices, it takes around 2 years to convert to Organic and build back optimum soil condition.

A 5 year FBT therefore does not allow sufficient time for the successful startup of new entrant businesses nor encourage transition or the uptake of more environmental practices. We therefore believe the FBT length should be a minimum of 10 - 15 years to qualify for lump sum.

All FBT's under the lump sum would be preferentially targeted at new entrants and/or agroecological farmers who need to upscale for business success. This would allow the tenant holder to have more long-term security which can deliver a myriad of benefits and would help the government deliver better value for money whilst sticking to their commitment of these schemes being of benefit to new entrants.

There should also be a condition to any lump sum payment to stop the land owner/occupier offering an FBT to a company or the like in which they are a legal member.

A further condition should be put in place to stop the land owner/occupier regaining control of the land after receiving lump sum payment and the end of the FBT. If the land owner/occupier chooses to rent their land to qualify for the lump sum payment, they should only have the option to either continue the tenancy, change the FBT

occupier over to another 10 year minimum FBT or other rental agreement of 10 years or more, or sell the land.

There is a current high demand for tenancies in this country however many experience difficulty in getting secure tenancies, this condition gives opportunity to change this and stimulate tenancy provision for new entrants.

Q10. Where a tenant passes on an Agricultural Holdings Act tenancy to a successor, this should be treated as them having met the requirement to have surrendered their tenancy. Do you agree? Please give reasons for your answer. • Yes • No

- Yes
- *Should the tenant holder pass on their tenancy to a successor tenant, this would qualify them as having terminated their tenancy and allow them to pass it on to the next generation, given that they relinquish legal control over the land, tenancy and business.*

However, the easing of restrictions in tenancy succession should be applied as at current, only 17% of successions are successful in passing tenancies onto the younger generation.

Therefore there should be free legal advice and governmental support offered in this instance of lump sum to ensure the transition of tenancies to the younger generation is successful.

Q11. Should a successful applicant be allowed to keep their residential or commercial property, non-agricultural land, and up to 5% or 5 hectares, whichever is the smallest, of their agricultural land in England? Please give reasons for your answer. • Yes • No

- No
- *Access to land and housing is one of the biggest barriers facing new entrants in the UK. Therefore all agricultural land, infrastructure and commercial property should be part of the lump sum agreement, as well as a minimum of one residential property and/or already agreed planning permission for a dwelling. If not, it will make the proposals very difficult (most likely impossible) for any new entrants to take advantage of any newly available land.*

This would unfairly disadvantage (even discriminate against) new entrant opportunities, particularly of those from non-farming backgrounds. Furthermore, all land in its entirety (including non-agricultural land) should be included on condition of lump sum payment so that new entrants have options to diversify their new business, collaborate with complementary farm businesses and have the best chance for success.

The current owner may be given the option to keep a maximum of 2% or 2 hectares (whichever is the smallest) of non-agricultural land on the condition that they receive less lump sum payment (calculated on amount of land they keep). Bare land sales often tend to go to existing farm businesses which leads to the concentration of bigger farms and tends to be bad for the environment and out competes new entrants to the farming sector. The government should minimise the potential for this under the lump sum by following these proposals to ensure that all land, property and infrastructure is passed on to new entrants.

Q12. Should it be a requirement to have first claimed Direct Payments in 2015 or earlier to qualify for the lump sum? Please give reasons for your answer. • Yes • No

- No
- *Given that the Lump Sum payments are coming from the direct payment part of the budget, we understand that there is a need to have some sort of link to that scheme. However, this will curtail the scheme and leave out numerous smaller farm businesses that may want to enter.*

Therefore, a further criteria that allows for any legal farm business that has operated in the same years as BPS eligibility (i.e. 2015 to today) to apply for lump sum would open the scheme to a wider percentage of British farmers, and therefore, offer up more new entrant opportunities and captivate the productivity of a larger amount of land which could help foster a network of diverse small scale farming businesses and innovations.

New entrants often start small and so including smaller-scale retiring farmers in the eligibility of lump sum, who have not been BPS recipients, would help facilitate more land to be passed on to the next generation.

Q13. If you answered 'yes' to the previous question, should there be an exemption from this requirement for farmers who have inherited a farm, or succeeded to an Agricultural Holdings Act tenancy, after 2015? Please give reasons for your answer. • Yes • No

- N/A

Q14. How long, from the publication of the scheme rules, should an applicant be given to transfer their land? Please give reasons for your answer. • 1 year • 18 months • 2 years • Other

- 2 years
- *The lump sum scheme has come early in the transition process and so could fail to capture many farmers who are not yet ready to retire but are nearing the process. The sooner the transition happens the better, however allowing the farmer a 2 year lead time would ensure maximum uptake of the scheme and give farmers the opportunity to make a smooth transition.*

This would also allow new entrants time to seek land opportunities and gather the necessary resources to take on the land and start-up/transfer successful businesses. Transition agreements could be put in place for the transfer of knowledge of the retiring farmer to the new entrant and mentorship in land management for that specific site.

Q15. To claim the lump sum, should farmers who use common land to claim BPS have to give up their rights of common as proposed? Please give reasons for your answer and if you select 'no' please explain what rules you would prefer to see instead. • Yes • No

- Yes
- *As it is essentially a retirement scheme, any right to farm (land ownership, tenancy, grazing rights, common rights etc.) should be released and made available for new*

entrants. Common land farming could be a good and attractive avenue to support new entrants into the farming sector.

Q16. Are there any circumstances in which lump sum recipients should be allowed to retain their agricultural land (above the small amount that may be allowed – see question 11), such as if they enter the land into a scheme for woodland creation or landscape restoration? Please give reasons for your answer and if you select ‘yes’, please provide details. • Yes • No

- *No*
- *If a farmer is allowed to retain management of the land, this defeats the purpose of making land available for new entrants and keeping it in agricultural use.*

Furthermore, we believe that strict and robust conditions to payment should be put in place to ensure that any land under this scheme should remain agricultural and not be put to other use, even for woodland creation or landscape scale recovery, unless that is the decision made by the person who buys the land or takes over the tenancy.

That decision must not be down to the previous land owner. Efforts should be made in every instance to transition any land made available under these schemes to new entrants to farming, who themselves can then benefit from integrating environmental outcomes and schemes such as woodland creation into their new farming businesses. This offers the maximum chance for the new entrant to be successful and creative in how they deliver environmental outcomes while keeping land in agricultural use.

Q17. Do you have any other comments on the proposed conditions and eligibility rules for the lump sum exit scheme?

- *To reiterate points made earlier, we would like to see condition(s) which ensure that any land which becomes available through the Lump Sum scheme is given as an opportunity to new entrants. We do not want to see all or a majority of this land bought or rented to expand already sizeable farm businesses. The Government’s consultation document states the scheme seeks to address challenges for “those who yearn to go farming but cannot afford to enter the industry nor get access to land”, therefore, it must be an objective to include mechanisms which ensure this is met. For instance, some of this land could be channelled through the New Entrant Support Scheme and a land matching type service where an intermediary helps new entrants gain the access needed.*
- *The complete lack of any mention of environmental protection proposed by these schemes is discouraging and we strongly recommend Government includes conditions on the selling or renting of land to ensure that no land that enters the scheme can be environmentally degraded or damaged and must in fact prove active encouragement of the protection or strengthening of the land’s current environmental standing.*
- *We argue that land use should remain as agricultural during and after any transfer of land to a new owner, occupier or tenant. Covenants on land to remain agricultural or linked to agricultural business could be put in place. The previous landowner(s) should not have the right to decide what the land use type will be and conditions should be*

put in place to ensure the longevity of the land being used for agricultural purposes rather than for other uses such as development.

- *We disagree with the mechanism being suggested to 'gift' land. This is a clear loophole which could lead to land staying within the ownership of the family of the current owner, rather than being opened up as an opportunity for a new entrant. In this sense, we would argue that it would not constitute the farmer properly retiring from the sector, and would not fulfill the objectives of the Lump Sum scheme.*
- *The proposed opportunities that these schemes open up for new entrants are mainly centred around access to land, which is of course one of the major barriers affecting new entrants. However, further provisions to support new entrants in starting successful, innovative and environmentally-centred farming businesses on this land, such as access to housing or planning permission for a dwelling, access to finance, appropriate on-farm training, mentorship, legal advice, infrastructure and machinery, which have all been identified as areas of need by new entrants through Defra's New Entrant Support Scheme, would ensure the success of these schemes in supporting the next generation of farmers. We therefore propose that the government links the Lump Sum scheme with the New Entrant Support Scheme to make full use of the government's efforts to ensure support for new entrants and ensure full capacity and expertise can be given when delivering support.*

Q18. What reference period should the lump sum payment be based on? Please give reasons for your answer. • The average of the 2018 to 2020 BPS scheme years • The 2020 BPS scheme year • Other. (Please state your preferred reference period).

- *The 2020 BPS scheme year*
- *This is the last year of BPS before reductions, and therefore, represents the closest resemblance of the scheme before its phase out period. However, as we have stated previously, we discourage eligibility to be linked solely to being in receipt of BPS and encourage Defra to ensure that non-recipients can utilise the scheme based on the same amount of money. This could be done by providing an online process that allows non-BPS farms to enter relevant information which can calculate what they would have received under BPS.*
- *As we identify, there are three broad categories of farmers that can enter the scheme a) owner occupiers who will sell their land b) owner occupiers who will lease their land c) tenant farmers (the option of gifting the land has been discounted from these categories based on our previous suggestion to remove this option). Lump sum payment should be reflective of the category of farmer (and therefore their situation) and a dignified and realistic retirement path and financial amount which also takes into account the farmers income bracket, farm property/land values, value of their BPS (if they have one) and commitment to environmental practices should be worked out to form the payment criteria for the lump sum scheme. Defra must recognise that for tenant farmers, their situation is gravely different to those of land owner occupiers in that they will not have an additional payment from selling or leasing their land, and so sensitivity of this realistic outcome of entering this scheme and retiring from their farming livelihood should be taken into account and reflected in payments.*

Q19. What cap should be applied to the recipient's lump sum payment? Please give reasons for your answer. • No cap • £100,000 • Other. (Please state your preferred cap level).

- *Other*
- *Defra needs to ensure that they do substantial analysis on whether the average (£45,000) and the cap (£100,000) is enough for farmers to genuinely retire on with dignity, as this is a stated reason for delivering the Lump Sum scheme. This could be done by carrying out an analysis against the average needed for a comfortable pension for retirement in England.*

We assume that for a tenant farmer, neither the average nor the cap are enough as a retirement. For an owner who decides to sell their land and has minimal debt to pay off, the average and cap might be enough to create a comfortable retirement in addition to the money they will receive through the selling or leasing of their land.

Defra must recognise that for tenant farmers and potentially others, there will be a need to buy and/or rent a house and support personal retirement costs, which very quickly negates the average and cap as substantial enough for a retirement.

Q20. Based on the information you've read on the lump sum exit scheme, do you think this would encourage farmers to take a payment and exit the industry? Please give reasons for your answer and any supporting evidence you have. • Yes, many farmers • Yes, a small number of farmers • No, very limited interest • We should not encourage exits

- *Yes, a small number of farmers.*
- *As the scheme stands it will benefit a very small percentage of the farming population, tending towards those with the largest amount of land and available financial wealth. The earlier identified loopholes of gifting the land to a family member and the lump sum payment coming to form a healthy addition to the selling of highly valued land and property would encourage farmers that fall into this category to enter the scheme, but offer very little in the way of support for the majority of other farmers for example those with large amounts of debt or tenant farmers.*
- *The amount of payment that the average farmer might receive (roughly £45,000) based on the current conditions set out by Defra is not enough to retire on alone, again exemplifying why this scheme as it stands will only be of benefit to those who will not have to rely on this payment to retire. The average payment of £45,000 alone will not allow any retiring farmer entering the scheme to buy a house or sustain general living and specific retirement costs in the long-term if they truly retire from work, nor will it be nearly sufficient specifically for tenant farmers who will not receive the same benefits as land owner occupiers through the selling or leasing of their land. This element of the scheme we believe will be the biggest reason for limited uptake.*
- *Many farmers choose to farm because it is their livelihood; but lifestyle choice also plays a big factor in the decision of whether to leave or stay in farming. Examples of similar schemes from Australia and Ireland suggest that most farmers don't want to give up farming due to their social/cultural connection to the land and the type of life this grants them. This will be a big barrier to the scheme's uptake. Defra should do more to encourage cross-generational exchange and interaction in the farming sector i.e. knowledge transference, mentorship, consultancy, advice networks etc. which*

would be of both financial and emotional benefit to retiring farmers as well as new entrants.

- *There is a question around whether farmers will want to sell land, given the current financial trend in land being something to invest in. Furthermore, many UK farm businesses have significant debt, and therefore, might be in a position where they cannot sell land and pay all of that debt off. We would like to see Defra do analysis on these potential issues/questions and propose how they will tackle these issues.*
- *If the government wants to truly open up opportunities for new entrants they must ensure these schemes are desirable to both landowners and retiring farmers as well as supportive in the way land is passed on to new entrants, for example in ensuring access to housing, agricultural equipment and commercial property, finance and knowledge transference. Essentially, we want to see the Government outline how this scheme links with the wider agricultural transition plan and Environmental Land Management (ELM) policies, including the New Entrant Support Scheme, and how it will deliver those objectives.*

Q21. Is extra professional advice and guidance needed to help a farmer decide whether to participate in the scheme? Please give reasons for your answer. • Yes • No

- Yes
- *It is crucial that farmers can access a range of professional advice and guidance, including business advice for closing a business, guidance on retirement, well-being support to help farmers out of the sector and legal advice on tenancy succession. It will be a huge decision for farmers to make, so having that support in place will help someone transition in a way that suits them.*

Defra should do more to encourage cross-generational exchange and interaction in the farming sector i.e. knowledge transference, mentorship, consultancy, advice networks etc. which would be of both financial and emotional well-being benefit to retiring farmers as well as new entrants. Professional guidance on these options and how to make this possible should be linked to the scheme.

Q22. Which groups do you think are likely to benefit from the lump sum exit scheme? Please tick all that apply and give reasons for your answer. • Farmer exiting the industry • New entrant entering the industry • Existing farmer expanding business onto vacated land • Other (please specify)

- *Existing farmer expanding business onto vacated land.*
- *Other - Land Agents; wealthy investors*
- *As it currently stands with the proposed structure set out, the most likely candidates to benefit from the existing design of the scheme are existing farmers (and non-farming landowners) expanding business onto vacated land. This is because of the selling of land at market prices which only existing businesses will have the resources to buy, as well as the informal connections existing farmers have to land and farming businesses in their local area.*

The common narrative that farmers must continuously scale-up in size (hugely bolstered by the previous BPS) is also a factor in why existing farming businesses

will be looking for any further available land and are the most likely candidates to secure land. The transition for existing farmers onto more land is also the easiest outcome of this scheme as they require the least amount of support and support for new entrants and retiring farmers as it stands is considerably lacking. However, with the suggestions we have laid out, we hope that farmers exiting the industry and new entrants into the industry will also benefit from this scheme and gain sufficient support.

- *One example of better public accountability of land transfer is SAFER in France, where a public body reviews the sale of agricultural land and tries to ensure that the sale is in the public's interest, with some terms on land consolidation. We would add that this land accountability process includes an environmental check which ensures that the land sold will not be further degraded or taken out of agricultural use.*

Furthermore we suggest that this scheme is linked to the New Entrant Support Scheme who are in the best position to attach the selling of land to land matching services and similar organisational bodies that can help facilitate this land into the hands of new entrants as per the scheme's initial goal.

- *We also believe that Land Agents will benefit considerably from this scheme, as they will be the brokers who sell or lease any newly available land. Although this is obvious, due to the way land is brokered in the UK, this does mean that more money will be skimmed off the top, potentially making the retirement payment even smaller.*
- *Lastly, wealthy investors could also benefit hugely from the Lump Sum scheme. If land is channelled solely (or majority) through the open market, those with wealth will be able to outbid others. Given the financial incentives to plant trees and the newfound interest in investing in land as an asset, Defra need to seriously consider having some form of criteria which ensures that much of this newly available land is channelled through the New Entrant Support Scheme (NESS).*

Delinking specific questions:

Q23: What reference period should the delinked payment be based on? Please give reasons for your answer. • The average of the 2018 to 2020 BPS scheme years • The average of the 2018 to 2022 BPS scheme years • The 2022 BPS scheme year • Other. (Please state your preferred reference period).

- *The average of the 2018-2020 BPS*
- *This is the last phase of BPS before reductions, and therefore, represents the closest resemblance of the scheme before its phase out period.*

Q24: Do you have any other comments on the proposed eligibility rules for delinked payments?

- *As things stand the delinked payments would be paid regardless of whether the farmer continues to farm the land or not. This stipulation should be removed and the government should ensure that any land must stay in agricultural use to ensure minimal impact on British food production and the industry as a whole.*