

RECAPTURING THE ENVIRONMENTAL BENEFITS OF SET-ASIDE

1 INTRODUCTION

1.1 Purpose of the workshop

The workshop provided more detailed information about the two options for recapturing the environmental benefits of set-aside, and offered stakeholders an opportunity for informed discussion of issues they wished to raise (a second workshop had been arranged to discuss the proposals for buffer strips and soils).

These workshops **were not a replacement for written responses to the consultation**, which should be sent to Defra, no later than 27 May (it would be helpful if responses arrived earlier).

This note, produced by Institute for European Environmental (IEEP), provides a summary of the main points raised by participants [*and Government's responses to questions on Option A and NFU/CLA's responses to questions on Option B*] during the discussion groups, which were the focus of the workshop.

1.2 Reference documents

The following papers informed the discussions (They were circulated to participants before the workshop and are available at via the Defra website at: <http://www.defra.gov.uk/corporate/consult/gaec/>):

- Environmental Standards for Farming – consultation on proposed changes to standards in cross compliance GAEC and related measures in England (Defra, March 2009)
- Option B – a Campaign for the Farmed Environment (National Farmers' Union (NFU) and County Land & Business Association (CLA), April 2009)
- Defra information note: farmland birds index (March 2009)
- Defra information note: evidence base – recapturing the environmental benefits of set-aside (March 2009)

1.3 Presentations

The workshop opened with three presentations, which are attached to this note:

- Background to the evidence base, and the development of two options (Defra)
- Option A (Defra)
- Option B (NFU/CLA)

2 SUMMARY OF ISSUES RAISED IN DISCUSSIONS

2.1 Option A

Reaction to Option A

Farmers contrasted the flexibility of Option B with the regulatory approach of Option A, which they thought would not work for every farm and would be an incentive to do the minimum possible. There was a strong feeling amongst farmers that those who

were already in Entry Level Stewardship (ELS)/Higher Level Stewardship (HLS), or simply doing the right thing themselves, would be penalised by Option A, with no account taken of their position as early adopters. Option A would be perceived as further complicating the situation and would act as a disincentive to uptake or renewal of ELS. The farming industry commented that the delivery route for Option A was not yet clear. The assumption that all farmers would comply with Option A was questioned, because many farmers already take the risk that they will not be inspected, and choose to take the penalty if they are.

Farmers said they would do more under Option B as it was more flexible and, most importantly, carried goodwill, whilst Option A would create resentment. There was a sense that Option A would be unjust because of its distribution, and some discussion of what the scope should be and which farms should be targeted or exempted. Farmers felt it was important to acknowledge voluntary efforts undertaken outside the scope of ELS.

The farming industry pointed out that horticultural crops had not been subject to set-aside, none of the management options were suitable for horticulture (other than taking land out of production), and growers would need an extensive education programme. *[Government's response - It is possible that horticultural crops would be excluded, but if not further consideration will be given to appropriate options - water quality could be a concern, for example.] [Environment Agency's response - we do not want to see horticultural crops excluded - many horticultural crops pose a large risk to water and therefore should be subject to resource protection management options under measures to recapture the benefits of set-aside.]*

Relationship of Option A with ELS

Many farmers were not aware that land currently in ELS options would not count towards the Option A percentage, and suggested that it would be better simply to require farmers already in ELS to top-up their land to the required percentage *[Government's response - This had been considered, but there is a potential double-funding problem because under the EC Regulation cross-compliance land forms the baseline above which ELS funding can be made.]*

Environmental groups wished to see greater environmental return from the SPS payment, and considered that Option A was well placed to do this and. They argued that many farmers already retained nearly enough uncultivated land alongside their ELS land to meet Option A.

Farmers felt it unfair that Option A would force those already within ELS to find extra land, modify their agreement (if they wanted to use top-up options) or come out of the scheme altogether (because it was too complicated or they did not wish to take further land out of production). They suggested this could affect attitudes to ELS, losing the enthusiasm generated when it was introduced. They felt that subtracting land under Environmental Stewardship (ES) from the liable area before calculating the percentage requirement would make little difference. Farmers in no scheme, but who still managed some land for environmental benefit are also keen to have their efforts recognised, and environmentalists agreed that it was important to capture all the things that farmers do for the environment. *[Government response – ELS is*

specifically designed to reward existing environmental management – so these farmers should be encouraged to sign up]

The NFU was gathering feedback from their members on the potential impact of Option A on ELS, and one regional farmers' meeting had indicated that 70-75% might come out of ELS if Option A were introduced, jeopardising the Natural England target of 70% of land in agri-environment schemes. Farmers felt that the ELS pilots which ended last summer (particularly in Market Deeping with a renewal rate into national ELS of around 65%) were unlikely to be representative of the wider population. Most farmers now felt uncertain, and would delay making a decision until the circumstances are clear.

There were requests for more examples of how Option A would affect real farms already in ELS, to illustrate the decisions these farmers would have to make.

Land under Option A management

The farming industry asked: if the percentage would periodically change in response to needs in a similar way to set-aside *[Government's response –No but if a farmer's area of liable land increases or reduces, they would need to recalculate the area of land to be managed environmentally]*; if there is a maximum amount of land that could be allocated to any management option *[Government's response - no maximum is envisaged]*; and if existing set-aside land could be used to meet the management requirements *[Government's response - farmers will be encouraged to retain long-term set-aside as part their requirement]*. On tenanted land farmers were unclear whether the landowner or the tenant would be responsible for meeting the cross-compliance requirement. *[Government's reponse – it would be whoever was claiming SPS.]*

Some farmers felt that there were too few management choices under Option A, particularly on heavy land with no watercourses, and that it was a 'one size fits all' approach. *[Government's response - Option A is designed to deliver environmental value from as small an area as possible, and some of the 22 management choices in Option B had been considered and rejected for Option A, because they would not deliver sufficient environmental benefit and/or were difficult to verify - the SAFFIE report¹ had helped to inform the final choice]*. It was also pointed out that energy crops had been permitted on set-aside land, but would not be allowed under Option A *[Government's response - energy crops actually accounted for a relatively small area of set-aside and generated little environmental benefits - more work is being done on the impact of excluding energy crops]*.

Interaction of Option A with GAEC 12

Farmers noted that the current rules on GAEC 12 acted as an incentive to classify land that is currently out of production as temporary grassland, meaning that much of it is unmapped. They also asked if GAEC 12 land could contribute to the 4-6% requirement of Option A *[Note- Option A could be placed on current GAEC 12 land that is being managed to one of the Option A management options but it would therefore no longer be classified as GAEC 12 land]*.

¹ The SAFFIE Report June 2007. Available at:
http://www.hgca.com/cms_publications.output/2/2/Publications/Publication/The%20SAFFIE%20Project%20Report.aspx?fn=show&pubcon=3919

Management requirements for Option A land

It was suggested that it would be helpful to group the management options according to their environmental benefit e.g. for birds, resource protection, and other biodiversity, as in Option B. Predation was seen by farmers as having an impact on ground nesting birds, but ignored as an issue because of pressure from environmental groups and the public, and the potential unpopularity of predator control measures. There was also concern over the impact of Option A on weed control on heavy land.

EM 1 - grass buffers alongside watercourses - the Environment Agency commented that 'permanent' buffers should be encouraged in areas at greatest risk of run off and erosion, and 'permanent' should be defined, to allay farmers' fears of buffers or other environmental management land becoming 'permanent pasture' by default. The farming industry also expressed concern about retaining the arable status of land managed under Option A. Farmers questioned the need for 6m grass buffers to prevent spray contamination of watercourses, when LERAP (Local Environment Risk Assessment for Pesticides) exists [*it was pointed out that grass strips also catch sediment and remove nutrients, but it is difficult to fix a standard width as this depends on specific circumstances*]. One farmer (already in ELS with 3m buffer strips) commented that 6m margins represented a significant proportion of small fields, carry a cost for sowing and are impractical if you cannot drive on them (adding that the machinery used to maintain a 6m minimum would be likely result in a 8-10m strip). Farmers suggested that chicory and sunflower mixes could provide good alternatives to grass if the seed rate is adjusted to ensure required density. [*The optimum wildflower seed mix has not yet been specified, but one possibility would be to require British native varieties appropriate for the area*]. Under-drained land is unsuitable for buffer strips, but it was suggested that on this land further action might be necessary under the Water Framework Directive. Farmers were concerned that there could be problems if mole drainage is not allowed on heavier soils.

EM 3 - previously cultivated land rotationally taken out of production - the Environment Agency commented that slurry storage was not an appropriate use of the land, and only the quantity of organic manure that will be used on that land area in the next growing season should be stored. No storage of 'general waste' should be allowed, but if the field is truly low risk then farmers could store other wastes for land-spreading prior to the next growing season (this would need careful explanation). Farmers pointed out that 1 June is a very tight deadline, and weeds could be out of control by then. They asked if there could be a derogation to use herbicides before then to control black-grass/thistles [*Option A parameters could be refined in light of the consultation responses*].

Penalties under Option A

Farmers feared that under Option A the nature of the inspection process would result in penalties for small and honest mistakes, possibly under both cross-compliance and ELS rules.

ELS top-ups for Option A

Farmers said that there should be a better range of options available and that the focus should be on the quality of management rather than the area of land out of production (quoting the GWCT figure of 1 – 1.5% [*Note- this was a project mainly*

looking at benefits just for open field species eg. brown hare, and the lower percentage rate would rely on farmers selecting exactly the 'right' options for the 'right' places]), but they also recognised the risk that farmers would just pick the easiest ELS options, not those likely to deliver greatest environmental benefit.

Farmers questioned the benefits of over-wintered stubble (OWS) as a top up option, given that modern operations leave little grain behind (and anecdotal evidence of few birds seen on stubbles). OWS was already a popular ELS option, in particular in the East of England where hedges and ditches are less frequent and so provide less scope for generating ELS points. Environmental groups noted that stubble was best left as long as possible, and explained that its value increased if herbicide applications before harvest were low, allowing weeds to produce seed and provide food. OWS followed by a fallow year was far more effective than OWS alone.

2.2 Option B

Reaction to Option B

Farmers welcomed the Option B approach, which offered a cultural change. They want the flexibility to do what is best for their farms rather than be told how to do things, and are more likely to respond to the 'carrot' than the 'stick'. The Voluntary Initiative on pesticides was quoted as an example of the industry delivering more quickly than the regulator.

The environmental sector suggested that we cannot afford to wait for Option B to deliver a cultural change, because the longer it is left the harder it becomes to recapture the benefits of set-aside – in contrast, Option A would offer immediate and more guaranteed recovery from 2010 onwards. It was pointed out that changes in biodiversity are slower than changes in the economic climate for farming, and long term success under Option B would depend on farmers 'buying-in' to environmental management, even when the market for arable crops changes.

Option B applies to all arable farmers but concentrates on 'hotspots' where set-aside was most prevalent ie. 15 'top' counties where set-aside made up a high percentage of cultivated land. Environmental organisations suggested it was important to target areas of "white space" where there had been little or no set-aside, or ELS management, and also to target areas with potential for farmland birds, not just places where farmland bird populations are concentrated now.

Some farmers challenged the assumption that Option B should be used only for recapturing the benefits of set-aside on arable farms, and suggested extending the approach to organic farms and those with less than 20 ha of arable, and also to livestock farms.

Ensuring delivery of Option B

It was agreed that Option B would need a great deal of effort to achieve the cultural change required, and there was scepticism that Option B could achieve this, if reluctant farmers barely changed their existing practices. The industry was asked how it would persuade farmers to participate, track progress on Option B and ensure regional coverage. *[The NFU and CLA responded that the regulatory safeguard would encourage action, there would only be a few 'free-loaders' (and provided*

county targets were met, some variation was acceptable). Access to farm open days and demonstration farms would encourage farmers to apply similar practices on their own farms, supported by their independent farm advice.]

Option B was seen as the traditional approach to advice, but the challenge would be to produce the guaranteed amount of land that Option A would deliver. Farmers commented that it would require a message of concern, a culture of a common purpose and a great deal of peer pressure. The 22 voluntary measures would allow farmers to choose the most appropriate management for their farm, but carries the risk that their choice would be for business not environmental benefit. Environmental groups suggested that it was not clear how Option B would ensure environmental quality - some of the voluntary options are not proven to deliver environmental benefits, and others cannot be inspected. It was suggested that Option B could give weighted scores to the 22 management choices, giving some indication of environmental benefit per hectare, and farmers could be given a total 'score' to aim for.

Farmers agreed that the voluntary element of Option B alone would be insufficient, and they suggested that success would depend on the ELS incentives being high enough. This led to a discussion of the scope for increasing payment rates for ES options (but there was concern that payment ceilings set by the EU may already have been reached). It would be important for farmers to choose the appropriate environmental land management options before entering their five-year ELS contract. Environmental groups suggested that ELS 'split lists' and thresholds were needed – for example a minimum percentage of points for in-field options. The farming sector was concerned that split lists would discourage farmers from joining ELS. Some farmers suggested that among farmers not in ELS there is a culture of resistance to joining. It was suggested that farmers should be 'sold' environmental delivery as a commercially viable business decision, with a core ELS payment contributing to cash flow.

2.3 Baseline, targets and success criteria

There was broad agreement on the desired environmental outcomes, but participants disagreed on the merits of Options A and B as delivery mechanisms.

Baseline

The farming industry felt that the 'rising baseline' for Option A was inappropriate, and disagreed with Defra's assumption of an increase in ELS uptake to 70%, which they predicted would be undermined by Option A. The industry would much prefer a static, historic baseline (as in the Option B proposal, which proposes using 1 January 2008). *[Government's response - It will be important to use the same baseline for both Options A and B, to judge outcomes. The 70% target is a Natural England commitment, not just an aspiration, and was set when set-aside was in place.]*

Selection criteria

Participants thought that the selection criteria (page 11 of consultation document) would be challenging for both Option A and Option B. It was questioned whether Option B could 'offer a high degree of confidence that the environmental benefits will be delivered through immediate and enduring changes to land management', but some farmers thought that Option B could deliver immediately if targeted action was

undertaken quickly. It was pointed out that Option A does not necessarily guarantee quality of environmental management, only quantity.

Targets, success criteria and monitoring

The farming industry confirmed that Option B targets included that of 70% of farmers in arable-environment schemes (using appropriate options) and, of the farmers not in ELS, 40% in voluntary measures by 2011 and 60% by 2012. No targets had been set for each of the 22 voluntary options to allow maximum flexibility and regional diversity.

The environmental sector suggested that Option B should also have areas as targets, not just numbers of farmers. Neither Option A nor B has broken down targets into individual management options [*although Natural England has internal targets to increase uptake of ELS arable options*]. Target setting is not an exact science, and there will be a need to check progress along the way. Research interests suggested that both environmental outcomes and uptake could be monitored in the short term, and quality of habitat in the interim, using demonstration farms as reference points (but it was important to recognise that longer-term environmental outcomes could not be attributed just to the measures to recapture the benefits of set-aside).

There was concern that the regulatory safeguard trigger for Option B was very low (only 50% of lowest level of set-aside (8% in 2007), for two consecutive years). It was suggested that Option B should have a rising target in consecutive years – perhaps 50% in year 1, 75% in year 2 and 100% by year 3.

2.4 Advice, guidance and training

Discussion covered the provision of training, advice and guidance needed to support a cultural change in farmers' attitudes, which would encourage more of them to choose better options under ELS and/or undertake voluntary measures for the good of the environment. It was widely felt by a range of stakeholders that educating and training farmers so they understand *why* environmental change is required, and *how* management helps to achieve this, will be more likely to lead to a cultural change than simply training them in *what* to do. Farmers are principally driven by economic motives, but peer pressure also has an effect, and encouraging farmers' interest in environmental issues and helping them to integrate wildlife delivery into the farm business will be important. A key challenge for both Options will be to reach those not in ELS or HLS and unlikely to act independently, and persuade them to do more.

Whichever Option is chosen there should be improved guidance, advice and training packages. Advisory programmes, under either Option A or B, would have to be thoroughly integrated with ELS advice, and guidance would be needed at ELS renewal stage to influence change. It is important that training contains a practical element as farmers react better to being shown good management, and if they are trained before ELS renewal they were more likely to choose better options.

Advice should be multi-channel, as farmers respond in different ways. Farmers need to ask for advice, value it, and trust the source providing it – which means building up a working relationship, often with their own advisers and land agents. The majority of arable farmers use agronomists, who offer a potential route for Option B advice, but they may need training in environmental management. It is important that different

sources of advice give farmers a consistent message. The web-based information hub proposed for Option B, and the proposal for demonstration farms were both welcomed by farmers and advisers.

Farmers and agronomists suggested that the EnFER (Enhanced Farm Environment Record) should be a pre-requisite for entry to ELS, so that it informs the ELS agreement (drawing up the agreement and then thinking about the issues on farm was seen as the wrong way round). It was suggested ELS could offer points for training, as an incentive to attend courses – but it was not clear if this could be funded as part of ELS. *[Government's response - 'transaction costs' could be funded under EU rules.]*

There was some feeling amongst the farming industry that Option B had more detail on provision of advice, offered more involvement at farm level, and more tailored advice. They felt it was unclear how Option A would disseminate advice, whether one-to-one or just through the RPA. *[Government explained that there was an advice package for Option A using a variety of methods e.g. farm walks, one-to-one advice, and enhanced ELS advice, and they would discuss the provision of advice with external organisations to avoid disjointed or duplicated advice between industry and Government.]*

Participants asked who would pay for and deliver advice for both Option A and Option B. *[If Option A were chosen additional advice would be needed on cross-compliance options, and the contract held by Momenta has been advertised for renewal; NE already has its own advice programme to improve uptake of ELS, which would include advice on ELS top-ups for Option A. Industry would need to meet the costs of advice for Option B as one of the key criteria.]*

2.5 Improving uptake of ELS in 2010

It was agreed that the uptake in 2010 of the right ELS management options, in the right places, would be the key to success of both Options - and would be a challenge for both.

Environmental groups noted that ELS had been a hands-off process, and the resulting lack of guidance and training had meant that farmers' management choices did not always deliver the highest level of environmental benefits *[note- ELS was intentionally hand-off]*. The farming industry argued that ES was still quite new, bad weather had hindered implementation and there was room for development, which Option A would inhibit. Farmers noted that Option B had the advantage of seeking to engage farmers and raise their awareness, encouraging them to choose the right options. Some participants thought an ELS uptake target of 70% was deliverable, quoting the success of the bumblebee project, which achieved 1000 hectares sown with special seed mixes and managed by farmers as a 'crop' to produce more nectar for bees. There was some discussion of farmers' previous lack of interest in set-aside top-up options, which was attributed to the sharp discrepancy between payment rates for the same work on set-aside land and on productive land.

Many farmers have used the ELS management plan options, promoted by the Catchment Sensitive Farming programme, but now the points could be transferred to land management, offering an opportunity to deliver more. The HLS targeting

documents from Natural England had been helpful, and similar advice for ELS would be useful.