

The Sustainable Farming Incentive roll-out and Soil

Briefing Note

On June 30th, Secretary of State, George Eustice, announced further information about [the Sustainable Farming Incentive \(SFI\) scheme](#), which farmers will be able to sign up to from spring 2022.

Soil sits at the heart of the SFI scheme, which consists of two Soils Standards – one for *Arable and Horticultural Soils* and one for *Improved Grassland Soils*, as well as a Moorland and Rough Grazing Standard, and an Annual Health and Welfare Review.

The Soils Standards will reward farmers for management practices that improve soil health by *improving soil structure, soil organic matter, and soil biology*. It comprises three levels of ambition and annual payments of between £26 and £70 per hectare (estimated).

This initial roll-out is a revised version of the previously announced SFI pilot scheme, which offered eight standards including the two listed above. The Soil Standards (and the payment rates) proposed for 2022 have in fact replaced those that were created for the 2021 pilot in reflection of feedback on the proposed payment rates.

Objectives

- There is a clear logic to majoring on soil at this stage. As George Eustice explained, “it is something that all farmers understand”, so it will provide opportunities for as wide a range of farmers to be rewarded and brought into environmental management as possible. The target is for at least 70% of eligible farms to take part by 2028.
- Since healthy soils underpin a range of wider benefits, as well as production, it is the ideal showcase of environmental and economic outcomes working hand-in-hand. As soil was not incentivised under the EU’s Common Agricultural Policy (CAP), these incentivised activities will be additional to those farmers can get paid for from other public schemes.
- The need to involve as many farmers as possible is reflected in the Standards’ low bar of entry – the introductory level is very close to the regulatory baseline ([Farming Rules for Water](#)) and includes practices (especially erosion prevention) farmers should be doing already.

Peat soils

- Areas of peat soils greater than 20% soil organic matter to a depth of 40cm or more are excluded from the Soils Standards, however a Peat Soils Standard is in development, alongside several others.

Payment rates

- Defra is refining the indicative payment rates and standards ready to publish final versions by November this year. The challenge is whether the amounts on offer will be enough to motivate farmers to transition.
- George Eustice emphasises that farmers that embrace soil health schemes at the highest level of ambition will have more money than they did under the BPS scheme, (but will have to do more in return). By way of example, in 2022, farmers will see a 15% reduction in the BPS payment (which equates to approximately £30 to £35 per hectare) while the payment rates under the Standards range from £24 to £70 per hectare.
- Any calculation needs to reflect the overheads needed to achieve the Standards. [Recent analysis by Farmers Weekly](#) calculated that it will likely cost growers at least £60 per hectare to do the advanced actions,

including: Soil organic matter test (all levels): £22.78/sample, subsoiling tramlines (12.5% of field on 24m tramlines): £52.70 per hectare and cover crop establishment: £101.30 per hectare.

- Growers will need to consider the merits of participation on a case-by-case basis. Martin Lines from Nature Friendly Farming Network (in Farmers' Weekly) states *"If you're a plough-based farmer, the introductory standard may be as far as you want to go for the moment, because going to higher levels could require investment to change your system and potentially put more risk into your business. For those direct drilling and cover cropping, they can probably hit the highest standard on most of it already"*.

Soil Carbon

- With COP26 around the corner, soil's role as a potential carbon store has been emphasised. Defra estimates that the Soil Standards could save as much as 60,000 tonnes of CO₂ each year from 2023 to 2027, increasing to 800,000 tonnes per year by 2037.
- There is a job to be done before this potential can be harnessed. A recent survey [Future of Farm Payments Survey](#), by Farmers Weekly revealed that of all the Public Goods to be delivered by the Environment Land Management (ELM) scheme, carbon storage is the area where knowledge is most lacking, with 91% of respondents saying they didn't have enough information to make improvements – compared with 52% for more general soil health.

Targets

- One of the [founding principles](#) of ELM (and hence SFI) is that the scheme pays *for outcomes that can be delivered through a wide range of activities*. This requires a clear thread between individual activities and specific outcomes, connected by a defined set of metrics.
- This is problematic for soils. Distinct outcomes/public goods (biodiversity increase, flood risk management etc.) can be delivered by the same practices (e.g. cover cropping) and are therefore hard to disaggregate and 'price-up' separately. Similarly, soil quality measurements such as organic matter act as indicators for some outcomes (carbon storage), and proxies for others (structure).
- As currently outlined, the SFI does not introduce the detail needed to join these dots. Indeed, detail is fairly short on the ground: *Complete a basic soil assessment, analyse soil organic matter, create a soil management plan*. No doubt Defra wishes to avoid unnecessary levels of detail (especially as any system needs to work for different categories of soil type layered over existing land use and intensity) or impose on farmers new approaches that might contradict methods that work for them.
- Increased standardisation will likely follow, and Defra is still developing their approach to compliance and monitoring, one that will reflect the soils target currently under development for the 25 Year Plan for the Environment (25 YEP), and it will be some time before data about the results of these interventions at scale becomes available. Defra is developing a Soil Structure Monitoring and Measurement scheme for land managers that may in time provide the link between actions paid for by the SFI and improvements measurable against the 25 YEP ambition of sustainably managed soils by 2030.

Private markets

- An important factor in the evolution of the Standards will be the development of a private sector market whereby farmers are (already) being paid for practices that sequester carbon into the soil. Defra sees public and private schemes operating alongside one another: *Payments should form part of a market for environmental outcomes where scheme participants can earn income from public and private sector sources*.
- The challenge as defined by Defra is how to strike the balance between ensuring the government pays for additional benefits and avoids paying for the same thing twice, whilst not 'crowding out' private funding and investment. Private investors will be equally keen to avoid paying for things twice. Indeed, the principle of additionality may disqualify farmers who are in receipt of money via the Standards from participating in private markets (especially where carbon credits used for off-setting are at stake).

- Successfully 'blending' public and private markets is made challenging by the fact that both are evolving rapidly and simultaneously – and at a time when farmers most need long-term clarity on the basis of which to draw up business plans and make investments. The private market will take time to scale up, soil carbon takes time to sequester, and the price of carbon will fluctuate. As a starting point, the government could confirm how long it will guarantee the Soils Standards income to provide a basis against which farmers can make a decision.

Scheme Evolution

- The SFI will be an evolution, not a revolution. The scheme will grow and adapt over time to involve a larger number of standards and farmers by 2024/25. It will also draw on learning from the ELM Tests and Trials, the SFI pilot, and the early rollout of the scheme to shape the longer-term scheme.
- If the Soil Standards are the entry point, does this mean they will also be the first to evolve once farmers are engaged and more niche Standards can be introduced? How long will the Treasury accept payments for practices that are a legal requirement, and therefore when does the introductory standard become a legal baseline, and more demanding soil-specific Standards replace them?
- Defra alludes to the schemes and approach to payments evolving as private markets for ecosystem services become more established. Is this a sign that Defra sees the Standards as a transitional phase for farmers between CAP and being rewarded by the private marketplace?