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Environmental Audit Committee inquiry on Biodiversity and Ecosystems Submission of the National Farmers' Union

Introduction

1. The National Farmers' Union (NFU) represents 55,000 members across England and Wales. In addition, we have 20,000 NFU Countryside members with an interest in farming and rural life. The NFU welcomes the opportunity to respond to the Environmental Audit Committee's inquiry on Biodiversity and Ecosystems. Given the interests of our membership, we have chosen to focus our response on certain aspects of the Committee's inquiry.

Summary

2. As well as producing high quality, safe, affordable food, the agricultural sector plays an integral part in protecting, maintaining and enhancing 71 % of the countryside, providing habitats and food sources that underpin biodiversity across the country.
3. To help a more complete picture of biodiversity in the wider landscape, and not one that is focussed on protected or priority species or habitat only, the NFU encourages government to re-evaluate the way its monitoring and evaluation is undertaken.
4. In terms of where the four nations prioritise resources in future, the threats posed to species and habitats by changes in the climate and invasive alien species are key areas.
5. In relation to the Nature Recovery Network, a bottom up approach, where delivery is planned and led locally, but underpinned by a national framework is recommended. Engagement must be voluntary and any assessment of habitat that may be included on maps must be in consultation with farmers and land managers.
6. Future agricultural and environmental policy should consist of a mix of incentive schemes, including a publicly funded environmental land management scheme such as the Environmental Land Management Scheme (ELMS), but also complemented by new market approaches, such as Payments for Ecosystem Services, and industry-led action to improve wider environmental delivery.
7. In the short-term, government must make continued improvements to Countryside Stewardship, the current farm-based agri-environment scheme, to offer better incentives to farmers and growers to participate.
8. To be successful, the ELMS needs to have clear, straightforward implementation on farm, clarity on how the scheme contributes to the environmental objectives and actions that complement the wider farm business.
9. It is also not enough simply to introduce another agri-environment scheme within a self-contained silo focussing purely in biodiversity without consideration of productivity, profitability, resilience, volatility, supply chain fairness, food security and international trade - all things highlighted within the Government's previous "Health and Harmony" consultation. Therefore, ELMS should seek to deliver for biodiversity alongside soil, water and air quality and net zero. It should also seek to maximise win-wins for building productivity as well as enhancing the environment so that we can deliver a more sustainable outcome for farming.
10. A supportive policy environment enabling investment in the built and natural solutions could create and enhance biodiversity and ecosystems and enhance farm productivity whilst also stimulating demand for rural tourism, local contractors, trade, and services from rural SME's.

11. Ultimately, we cannot look at the natural environment in isolation from productivity, trade, supply chains, food security and health and nutrition. Agri-food supply chains need to support and incentivise long-term investment and decision making on farm, rather than short term responses to global commodity markets. This in turn will allow the realisation of long-term productivity gains and improvements in biodiversity and ecosystems.

The state of biodiversity

How effectively is the Government monitoring the impact of UK activities on biodiversity, at home and abroad?

12. As well as producing high quality, safe, affordable food, the agricultural sector plays an integral part in protecting, maintaining and enhancing 71 % of the countryside, providing habitats and food sources that underpin biodiversity across the country.
13. Biodiversity in itself underpins the economic success of agriculture with pollinators, microbial communities and beneficials playing a central role in driving productivity whilst pests, weeds and disease undermine such productivity. Due to farming's close relationship with the natural environment, farmers and growers are continuously required to find the balance between promoting biodiversity whilst controlling for detrimental effects on food production.
14. As we identify in our 2018 report, 'United by our environment, our food, our future', much of the data that is currently collected on biodiversity focuses on specific species and habitats, particularly birds. Evidence collected on the impact of a type of habitat management tends to focus on one species, not all the species benefitting from that habitat. This means more common plant and animal life is often forgotten and leads to significant gaps in the data because information simply is not recorded. This lack of data means the role of more general farm management in providing for more common biodiversity gets underplayed, even though it is still important.
15. We are very conscious that using metrics to measure farmland biodiversity based on post-war baselines ignores the way farming systems have changed in response to government policies and makes comparisons virtually impossible. Changes have not happened because they are the whim of farmers, changes have been driven by policies and demands of the marketplace in which farm businesses operate well as other factors, such as our increasingly volatile climate.
16. The NFU encourages government to re-evaluate the way its monitoring and evaluation is undertaken. It is vital that broader monitoring is considered to deliver a more complete picture of biodiversity in the wider landscape, and not focus on protected or priority species or habitat only. We also would encourage government to continue to invest in regular surveys to enable open, transparent, and available biodiversity data.
17. New technology offers new and exciting opportunities e.g. mobile phone apps. If these can use data already being captured on farm that would simplify the process and also provide an added element of earned recognition at the same time. As set out in our ambitious for a future Sustainable Farming and Food Scheme, such collective industry data could have an extremely valuable role in the promotion of our sector's achievements on the delivery of public good for public money if appropriate ownership and control over what data is shared is in place.

Where should the four nations prioritise resources to tackle biodiversity loss?

18. Farmers will continue to play a pivotal role in improving biodiversity by providing and maintaining habitats and food sources for wildlife. To enable them to maintain and enhance this work it is important that the work they do is recognised in future policies.
19. In addition to the collection and provision of better data on wider biodiversity delivery, like insects, and better evidence on more general species and habitats found across the landscape we need to

- Get better at predicting and assessing impacts of climate change on our biodiversity. The effects caused by climate change, including changing weather patterns and increases in temperature, will pose a challenge for biodiversity and habitats, with both beneficial but also unfavourable impacts possible.
- Address the spread of invasive alien species, such as muntjac deer, grey squirrel or plants like giant hogweed and floating pennywort which are a growing challenge. Agriculture is often in the front line in terms of picking up the costs and dealing with the impacts when these species establish themselves on farmland and along waterways.

20. However, we would urge careful consideration of any decisions on the reintroduction of species, particularly if they have been absent from this country for hundreds of years. Any decisions need to be taken in the context of the impact they will have on local wildlife and biodiversity, as well as agricultural systems.

Evaluating measures to conserve and enhance biodiversity

How should the Environmental Land Management scheme maintain and improve biodiversity? What role might alternative land use play in delivering improvements to biodiversity under the ELM scheme?

21. To maintain and improve biodiversity and ecosystem services ELMS must recognise that biodiversity is delivered across the productive landscape. So, to be successful, it requires high uptake across farmland. The characteristics of successful previous schemes have included clear, straightforward implementation on farm, clarity on how the scheme contributes to the environmental objectives and actions that complement the wider farm business. We further develop our thoughts on ELMS in response to questions below.
22. Permanent land use change to create new habitat or meet the Government's commitments within the 25 Year Environment Plan is challenging. Consequently, the NFU considers it only has a small part to play in future schemes. Farmers and growers will consider land use change from a business perspective and consider immediate and future income requirements. Land use change is a long-term project that will require, in most instances, Government support for their duration to undertake the on-going maintenance.

How effective are the new measures to enhance biodiversity within the Environment Bill, particularly biodiversity net gain and Nature Recovery Networks? Do these measures complement existing regulatory frameworks and address issues surrounding how to value nature?

23. In terms of the deliverability of some of these new measures, the NFU does have concerns. Farmers and growers will be fundamental for the successful delivery of many of the new measures. Yet, there is a lot of work to be done to ensure key stakeholders and farmers and growers understand the relationship and interaction of the new measures to deliver for biodiversity including Net Gain, Conservation Covenants, Local Nature Recovery Strategies, the Nature Recovery Network and ELMS, to name but a few. The policy landscape is complex.
24. In addition, the Nature Recovery Network lacks detail around how exactly it will be achieved and what good might look like, but it is also missing details around the monitoring and evaluation process in order to determine if and when it has been successful. Without this detail, it appears to remain aspirational.

How should Nature Recovery Networks be planned, funded and delivered?

25. Firstly, and as mentioned above, the Government needs to communicate clearly how the Nature Recovery Network fits with various other measures such as Net Gain, Local Nature Recovery Strategies and ELMS.
26. In addition, the NFU encourages a bottom up approach, where delivery is planned and led locally, but underpinned by a national framework. Engagement must be voluntary and any

assessment of habitat that may be included on maps must be in consultation with farmers and land managers. Farmers who wish to engage must feel as though they have ownership over delivering for the network. The NFU has concerns over potential white spaces on maps that may preclude engagement in delivering for the network and therefore lead to issues in securing funding through future schemes, such as ELMS.

27. In the long term, new market approaches may increasingly complement, but may also need to co-exist alongside government environmental land management schemes such as ELMS. These new approaches could be funded by the private or public sector, or a mixture of both this highlights that ELMS must be structured in a way to enable private sector funding for environmental delivery.

How effective are other policies for conservation and enhancement of existing natural habitats, such as the Woodland Grant Schemes?

28. Farming plays a significant role in protecting and enhancing the environment, over the past three decades there has been substantial engagement by farmers with voluntary agri-environmental schemes, with 70% of agricultural land in a scheme at its peak. Poor policy decisions and changes in design and accessibility have led to a drop-in engagement. For example, this year, only 13 Upland Wildlife Offers (WLO) were applied for by farmers. Overall, Defra received just under 1,000 WLO applications this year, so only 1.3% were upland offers across the four schemes (uplands, mixed, lowlands and arable).
29. The current Countryside Stewardship offering is unfit for purpose. The scheme is complex, high risk with an unproportionate penalty regime, bureaucratic by nature requiring onerous record keeping and evidence gathering, and the payments are not proportionate to the level of burden the scheme offers to agreement holders. All these challenges lead to a barrier to engagement and thus, jeopardise delivery of the 25 Year Environment plan and further future improvements. The NFU encourages the Government to address the fundamental issues in the transition period (from the present to the launch of ELMS in 2024) to improve uptake and engagement and prepare farmers for the future domestic environmental scheme. We elaborate on improvements that could be made to the scheme in the sections below.

Co-ordination of UK environmental policy

How can policy be better integrated to address biodiversity, climate change and sustainable development?

How can biodiversity and ecosystems help achieve the air, soil and water quality objectives in the 25 Year Environment Plan?

30. From an agricultural perspective, the post-Brexit transition to a future environmental policy presents an opportunity to join up our environmental objectives, alongside sustainable development.
31. There have been significant improvements in farming's environmental footprint, but this will only continue to happen if farm businesses are given the policy support they need to survive and thrive. The bottom line is that farm businesses need to be productive and profitable to be able to continue to deliver the environmental benefits we all want to see. Therefore, our ambition is for a policy environment that enables our farmers and grower to farm smarter, using innovation, research and development, data sharing and new technologies to incentivise lower impact farming, for example in the use of agrochemicals. The goal is to achieve healthy plants, healthy people and a healthy planet as we further our potential to raise our productivity but reduce our environmental impact.
32. We believe that future agricultural and environmental policy should consist of a mix of incentive schemes, including a publicly funded environmental land management scheme such as ELMS,

but also complemented by new market approaches, such as Payments for Ecosystem Services, and industry-led action to improve wider environmental delivery.

33. However, in the short-term, the Government must make continued improvements to Countryside Stewardship, the current farm-based agri-environment scheme, to offer better incentives to farmers to participate. Countryside Stewardship agreements may still be in place until 2028, so ensuring that farmers can still participate is key in order to maintain their engagement and delivery. The NFU's report *Delivering for the Farmed Environment*ⁱⁱ recommends several actions including
 - Simpler requirements for agreement holders (such as a more proportionate and practical approach to record keeping and evidence).
 - A more proportionate approach to penalties and breaches of agreements to reduce the risks associated with participation.
 - More appropriate options and increased payment rates, particularly for grassland and uplands.
 - Offering greater flexibility through multiple application dates, instead of one rigid annual application window.
34. In addition, the Government must ensure that ELMS takes a holistic approach to environmental objectives across the landscape in tandem with promoting productive farming. From 2024, ELMS will start to be rolled out and from 2028 the scheme is anticipated to be fully operational. We believe that the scheme must provide the foundation on which to build business resilience grounded in sustainable practices. Therefore it should aim to deliver for biodiversity, soil, water and air quality but also seek to maximise win-wins for building productivity alongside enhancing the environment in order to deliver a sustainable outcome for farming. This foundation should also enable agreement holders to go beyond their own holdings to collaborate locally and regionally to deliver change greater than the sum of the parts.
35. In addition, to achieve our aim of meeting net zero by 2040ⁱⁱⁱ, we will need a range of measures, including improving farmland carbon storage. Specifically, enhancing hedgerows, increasing tree planting (including single trees, agroforestry and woodland planting) and boosting soil organic matter all contribute to our farmland carbon storage. ELMS will be key to this delivery.
36. In particular, ELMS
 - Should be a farm-based scheme that all farmers can access, in perpetuity. A high uptake can deliver across the whole countryside supporting multiple environmental outcomes and in order to deliver a 'bigger better and more joined up' approach, as per the principles of Lawton.
 - Needs to support environmental maintenance. For example, hedge maintenance comes at a cost to the farmer but delivers for net zero and the wider environment, providing wildlife corridors and supporting pollinators.
 - Should ensure fair reward. Payments need to offer a fair reward and an incentive for participation, going beyond the current 'income foregone' calculation.
 - Should recognise that farms are dynamic businesses and reflect those different structures and tenures to ensure inclusivity. With around 30% of farmland in some form of tenancy and an average tenancy length of 3 – 4 years, land tenure arrangements can be a barrier to participation in environmental schemes, particularly where the scheme is multiannual.
 - Should deliver across the whole country.
37. We expand on the role of new market approaches below, but industry-led activity can help address future environmental challenges. Farmers don't always want to be part or indeed are able to be part of a formal scheme, but industry-led initiatives such as the Championing the Farmed Environment (CFE), the Voluntary Initiative (VI), the Greenhouse Gas Action Plan and Tried and Tested (T&T) encourage farmers to be more resource efficient, protect soil, water and improve biodiversity. These initiatives have brought together industry, environmental groups and

the farm advisory community to develop agreed environmental messaging for farmers. Importantly, these initiatives also demonstrate the industry's commitment and part in improving the farmed environment.

Economics and biodiversity

What are the possible approaches to balancing economic growth and conservation of nature and its contributions? Is there evidence these approaches work and can be implemented?

38. The agriculture sector is uniquely positioned to deliver broad environmental outcomes alongside productivity, economic growth and job opportunities in rural economies.
39. However, farmers face significant costs associated with improving, maintaining, and protecting the environment. Many of these costs are highly variable and are dependent on local factors such as the environmental conditions, labour availability, level of knowledge of the farmer and support functions.
40. As already noted in this written submission, agri-environment schemes have an important role to play now and in the future. These serve to de-risk investment as well as diversify and stabilise farm income in order to support a long-term focus to green growth whereby sustainable farming practices and broader environmental stewardship are adequately rewarded.
41. In addition, we believe that both green and built infrastructure improvements in tandem can work together to provide significant synergies to realise a more resilient, vibrant, and sustainable rural economy. Agricultural investment in built and natural solutions which create and enhance biodiversity and enhance farm productivity whilst also stimulating demand for rural tourism, local contractors, trade, and services from rural SME's to support the green transition. To put this into context, 65% of farm businesses have a diversified activity with a fifth hosting solar energy, a tenth hosting other forms of renewable energy and a significant proportion operating food processing, retailing, hospitality, and leisure enterprises. Therefore, enabling green investment will be to work with motivated entrepreneurial businesses who can provide a unique route to levelling up economic progress, especially in remote rural areas. Working with farming is particularly relevant to the manufacturing sector where British agriculture is the bedrock to the agri-food sector worth £120 billion to the UK economy and employing 13% of the workforce.
42. A supportive policy environment through planning rules, national infrastructure and financial incentives could enable investment including: -
 - Green infrastructure through existing and future agri-environment schemes to improve water use, nutrient use and soil quality driving resource use efficiency whilst delivering improvements to biodiversity, water quality and flow and carbon sequestration.
 - Integrated water infrastructure to support sustainable food production.
 - Improvements in farm buildings and structures to support the achievement of net zero targets.
43. Within agri-food supply chains, farmers and growers for the most part are price takers due to their limited market power within high consolidated supply chains. Agriculture itself is a highly fragmented industry, with tens of thousands of farmers supplying agricultural commodities into a handful of processors, manufacturers, and retailers. This provides limited scope for farmers to pass on production costs further down the supply chain. In the context of farming to higher environmental standards, this means that for the most part, the farmer would be required to absorb the costs associated with safeguarding biodiversity, whether that is through lower yields due to less intensive practices or increased resources being dedicated to managing habitats.
44. British farmers and growers compete on a global scale with diverging production standards and therefore the cost inflation associated with producing to higher environmental standards significantly undermines the competitiveness of British agriculture if imports are not held to a similar standard. In order to ensure sustainable growth, there needs to be a focus from

government and the private sector in supporting supply chain fairness and upholding imports to domestic production standards. The role of the Groceries Code Adjudicator (GCA) has made significant progress since its introduction in 2013, but there is much more to do to tackle how a fair, functioning, transparent, responsive and equitable supply chain can be achieved.

45. Ultimately, supply chains need to support and incentivise long-term investment and decision making on farm, rather than short term responses to global commodity markets. This in turn will allow the realisation of long-term productivity gains and improvements in biodiversity and ecosystems. The current short-term incentives of commodity markets characterised by market volatility and uncertain returns undermine the ability for many farmers to develop a coherent long-term strategy to drive their financial and environmental performance.

Pairing nature-based solutions to climate change with biodiversity:

What would constitute clear indicators of progress and cost-effectiveness of nature-based solutions and how should trade-offs and co-benefits associated with nature-based solutions, biodiversity and socioeconomic outcomes be considered?

46. There are still a number of significant uncertainties around future trade arrangements and the implications of these, the changes in agricultural support and the development of a new environmental land management scheme.
47. Any indicators of progress and cost-effectiveness for nature-based solutions should be considered in the round alongside indicators to assess the impact of any trade-offs. As reflected in the NFU's Balanced Scorecard set out in our NFU Brexit paper 'A New Domestic Agricultural Policy'^{iv}, an indicator of food self-sufficiency would help measure our domestic supply of food.

How can funding be mobilised to support effective nature-based solutions to climate change? How can the private sector be encouraged to contribute to funding?

48. As we also discuss in our report Delivering for the Farmed Environment^v, in the long-term new approaches may increasingly complement, but may also need to co-exist alongside, government environmental land management schemes, such as ELMS. Biodiversity net gain and Payments for Ecosystem Services, Carbon Credits and rewards through the supply chain are just a few examples of new markets or initiatives that have recently emerged and with further encouragement could continue to develop in the future. These new approaches could be funded by the private or public sector, or a mixture of both.
49. Farmers would be willing to participate in these new market approaches, provided that these are voluntary, the obligations are achievable, are flexible to respond to the challenges thrown up by the natural environment and recognise and respond to the needs of the farming business.
50. New approaches also provide the opportunity to devise new funding and reward models and draw additional monies from the market. Significant benefits may be achieved in terms of realising synergies and efficiencies in fund management, project monitoring and reducing financial risk to individual entities. This in turn may then encourage farmers to both work collaboratively across a larger area and ensure greater participation from a broader range of stakeholders. This leveraging effect, whereby public funding encourages greater levels of private sector engagement, could unlock more capital for farmers to use to invest in technology and infrastructure beneficial to the environment.

ⁱ <https://www.nfuonline.com/nfu-online/news/united-by-our-environment-our-food-our-future/>

ⁱⁱ <https://www.nfuonline.com/nfu-online/news/nfu-reports/dap-vision-delivering-for-the-farmed-environment/>

ⁱⁱⁱ <https://www.nfuonline.com/nfu-online/business/regulation/achieving-net-zero-farmings-2040-goal/>

^{iv} <https://www.nfuonline.com/nfu-online/news/nfu-reports/dap-vision-a-new-domestic-agricultural-policy/>

^v <https://www.nfuonline.com/nfu-online/news/nfu-reports/dap-vision-delivering-for-the-farmed-environment/>