

## **Tenant Farms Association**

### **Transition to a New Farming Policy for England and Wales –Delinking Payments – Principles and Method.**

#### **1. Introduction**

- 1.1 The Tenant Farmers Association (TFA) is the only organisation dedicated to representing the interests of the tenanted sector of agriculture in England and Wales. Its membership comprises farms of all types and sizes but active, family farms predominate. As such, we represent the interests of those within the agricultural industry who do not own the land on which they are operating their farm businesses.
- 1.2 The TFA welcomes the inclusion of the concepts of both delinking of Basic Payment Scheme (BPS) payments and the associated idea of consolidating future BPS payments into a lump sum within the Agricultural Bill. Delinking provides an option for farmers to receive BPS payments through the transitional period without a link to land or the need to comply with land eligibility rules and it is intended that additional flexibility will allow recipients to receive future BPS payments as a lump sum during the transitional period on an opt-in basis. This paper seeks to address how these new policy tools should apply in practice.

#### **2. Justification**

- 2.1 The option of a delinked payment not only simplifies the regulatory environment around the receipt of BPS payments, but also allows land occupation and use decisions to be made more based on economic and business need rather than being driven by the requirements of the support regime. Being able to claim payments as a lump sum could allow recipients to use the capital to assist with on-farm investment to help drive productivity and profitability or investment into on or off farm diversified activity. Another major advantage of a lump sum payment would be to assist with retirement and restructuring. For tenant farmers, particularly those on older secure tenancies, a lump sum payment could unlock the possibility of a housing solution for future retirement or, coupled with a payment for a tenancy surrender from their landlord, form part of a more immediate move into retirement allowing their holding to be farmed instead either by a new entrant or another farmer looking to progress their business.
- 2.2 Department for Environment, Food and Rural Affairs (DEFRA) Minister of State, George Eustice MP, has suggested that the delinking and lump sum scheme will assist in creating a new, vibrant and profitable industry post the transition period. However, details of the mechanisms that will deliver the scheme are still to be

outlined by DEFRA. For the scheme to be successful several factors will need to be given consideration.

### **3. Cross Compliance**

3.1 Those who opt for delinking or a lump sum payment within the transitional period will no longer have to meet the rules around cross compliance thus removing the risk of incurring deductions for non-compliance. However, it is not expected that there will be a reduction in the requirement for land to be managed in line with the usual standards of good husbandry. Therefore, individuals accepting a delinked or lump sum payments who continue to farm, may need to be made aware that they could be at greater risk of inspection for compliance with statutory legislation as is the case now for individual farm businesses not covered by the current suite of cross compliance rules because they do not participate in the BPS..

### **4. Accessibility and eligibility**

4.1 The scheme must be open to all current BPS claimants regardless of their business model, land ownership status or age. However, the TFA would like to see assurances in place that guarantee that the financial assistance is made available only to those who are active farmers at the point of application. The TFA has proposed the following amendment to the Agricultural Bill to secure this:

*In Part 1 Section 2 (2) of the Agricultural Bill the eligibility criteria should be as follows:*

- (a) financial assistance may only be made to individuals or groups of individuals natural or otherwise operating land where the predominant use is agricultural as defined by the Agricultural Holdings Act 1986 Section 96 (1); and*
- (b) financial assistance may only be made available to individuals or groups of individuals natural or otherwise who are –*
  - (i) in occupation of the land for which the financial assistance is being claimed; and*
  - (ii) taking the entrepreneurial risk for the decisions made in relation to the management of the land for which the financial assistance is being claimed; and*
  - (iii) in day-to-day management control of the land for which the financial assistance has been claimed.*

### **5. Reference Period and Funds Payable**

5.1 For farmers to be able to plan their business effectively through the transition period there will need to be a clear understanding of the value of the payment

they will be entitled to prior to participation, whether delinked or paid as a lump sum.

- 5.2 Working on the widely accepted presumption that delinked and lump sum payments will relate to current BPS entitlements, DEFRA must define the reference period over which entitlements will be valued, the length of time for which delinked payments can continue to be claimed and the period over which payments will be consolidated into a lump sum. For delinked payments, the TFA believes that annual payments should reflect the rate of payments associated with entitlements set each November whereas lump sum payments should be valued based on the full length of the remaining transition period using the value of entitlements set in November prior to the decision to opt for a lump sum payment.
- 5.3 Applications to delink BPS payments or to receive them as a lump sum should be allowed throughout the transition period envisaged to end in 2029. In respect of lump sum payments, the value will diminish the closer we get to the conclusion of the transitional period in line with the planned removal of BPS payments. Those opting to sign up to the scheme in the first year of the transition period will receive the highest value for their entitlements, therefore encouraging uptake early on which will provide opportunities for new entrants and progressing farmers early in the window.
- 5.4 The premise of the lump sum scheme will be to “cash in” BPS entitlements which will then be cancelled. There should be no impact on the land previously associated with any entitlements which should be free to be farmed without access to further link to support or, by another individual, who may have their own entitlements to use.

## **6. Payment terms**

- 6.1 Participation in the delinking and lump sum schemes must be for the benefit of on-farm investment to increase productivity and profitability, to allow on or off farm investment into diversification projects or to enable participants to exit the industry through retirement either immediately or in the future.
- 6.2 Although the TFA does not advocate any requirements for participants to prove how they have used either the delinked or lump sum payments, it should be agreed that public money received must be spent on enabling change within the agricultural industry and monitored and evaluated on that basis. To assist with this, participants deciding to opt for a lump sum payment should be restricted from acquiring further BPS entitlements either to make claims or to opt for a further lump sum payment. To avoid speculation, lump sum payments should only be available to individuals who can claim ownership of entitlements to be surrendered for at least three years prior to the launch of the lump sum scheme.

## **7. Relationship with other schemes**

- 7.1 Participation in the delinking or lump sum schemes should not impact on participation in any other schemes or agreements which the farmer or land manager currently has in place or might seek to enter. In particular, any new public payments for public good schemes or productivity schemes developed under the rules set out within the Agricultural Bill should be available without restriction.
- 7.2 As it will be only entitlements that will be surrendered, new entrants or progressive farmers can use entitlements that they hold separately to make claims on land previously used by a recipient of a lump sum payment.

## **8. Wales**

- 8.1 Although within Schedule 3 of the UK Agricultural Bill the facility for delinking and lump sum payments will be available to Wales, these did not feature in the proposals for the transition period set out within the Welsh Government "Brexit and Our Land" consultation document. TFA would encourage the Welsh Government to make use of both delinking and lump sum payments for the benefits these will bring to assist restructuring and new entrants within the agricultural sector in Wales.

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