

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

CONFOR RESPONSE TO THE DEFRA CONSULTATION

## Introduction

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### *About Confor*

Confor ([www.confor.org.uk](http://www.confor.org.uk)) is the not-for-profit organisation for the UK's sustainable forestry and wood-using businesses. It has 1,500 member companies, representing the whole forestry and wood supply chain from seed to saw.

### *About this consultation*

As part of the transition to a new agriculture policy in England Defra plan to:

- in 2022, offer farmers who wish to exit the industry the option of taking a lump sum payment in place of any further Direct Payments; and
- in 2024, 'delink' Direct Payments from the land for all farmers. This means that recipients will no longer have to farm the land to receive the payments.

Defra believe that offering a lump sum will help those who wish to retire or leave the farming industry to do so in a planned and managed way. This will make more space for the next generation of farmers, as well as providing opportunities for existing farmers who wish to expand to improve their profitability, including forestry.

## Consultation questions

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### **Q1. What is your name?**

Caroline Ayre

### **Q2. What is your email address?**

[caroline@confor.org.uk](mailto:caroline@confor.org.uk)

### **Q3. If you are responding on behalf of an organisation, what is its name?**

Confor

### **Q4. Would you like your consultation response to be confidential? If you select 'yes', please give your reason.**

No.

### **Q5. Are you responding as:**

- Other stakeholder representative organisation

**Q6. If you answered ‘a farmer and/or landowner’ to the previous question, are you (tick all that apply):**

Not applicable.

**Q7. If you farm, what size is the farm?**

Not applicable.

**Q8. What is your age?**

- 45 to 54

**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?**

Being restricted to an FBT is an onerous requirement that is likely to prevent some of the new blended finance, and operational ownership/management arrangements that the private sector is currently developing, from being practical to implement for some farmers/landowners wishing to transfer their holdings. New mechanisms and legal structures are in development. Defra should not tie the implementation of this policy to restrictions based on legacy infrastructure.

**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?**

Yes. The ability to end AHAs early is one of the key un-blockers this policy could deliver.

**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. Many farming families have farmed in a location for generations and have lived in a place their whole lives. Asking them to leave is less likely to achieve the aim of them leaving. This allows them to retain their house and interests without the burden of a full farm. But, case law is clear that, a farmer will not get Agricultural Property Relief on a large farmhouse with a small amount of land (smallholding). This is a decision a farmer would have to consider before taking the exit payment.

**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.**

No. It is such a short time frame that it is unlikely to have much impact on those targeted. This proposal should be aimed at the 55+ age group who want to retire. If a farmer only started claiming BPS in 2016 it is unlikely that they would want to leave the industry. But if they do then why stop them?

**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?**

No comment.

**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.**

Three years. With up to five years allowed if the property has been actively marketed. The sales process could reasonably take up to two years. An applicant may take a year to decide if they want to leave and a further two-years to complete the process.

**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.**

No. Common rights should be attached to the farm. If the farm/land changes hands then the common rights stay with the land. It is unlikely that a farm could run at 5% land plus common rights, there would not be enough in-bye to support the animals when needed.

**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. Whilst the England Woodland Creation Offer does allow for the continuation of BPS payments there may be circumstances where the landowner undertakes afforestation without accessing public grant funding. This creation of new woodland through private funding should not exclude the owner from accessing BPS or the lump sum payment.

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

No comment.

**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. This is a fairer calculation.

**Q19. What cap should be applied to the recipient's lump sum payment?**

**Please give reasons for your answer.**

No cap. There could be potentially small numbers interested.

**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 are putting off decisions until the much talked about future payment schemes and lump sum opportunities become clearer, all parties are keen to see clarity on the offer so that decisions can start to be made and the market can start to move.

**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, but not beyond that currently available through the land agents network and certainly not via the introduction of any Government funded 'adviser' programme. There are a number of players readying themselves to take public money to become the 'professional advisers' in the delivery of this scheme, which will only add cost to the programme, reduce payments going to the farmer and delay implementation. It would create a further round of 'subsidy farming' advisers preventing the genuine change that is needed.

**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.**

No comment.

**Q23: What reference period should the delinked payment be based on?**

**Please give reasons for your answer.**

No comment.

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

It is not clear whether the lump sum would be treated as income or as a tax-free capital payment. The tax implications will be a significant factor in a farmer's decision-making process.