



## Improving the Sustainable Farming Incentive

November 2024

This briefing is on behalf of nature and animal welfare coalition Wildlife and Countryside Link ([Link](#)). It highlights problems with the current Sustainable Farming Incentive and outlines solutions for improved spending and the delivery of environmental outcomes.

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### **Introduction: Fixing SFI Spending**

A Defra briefing on the Budget on 30<sup>th</sup> October stated that Defra would ‘accelerate the transition to a more resilient and sustainable farming sector’ and prioritise ‘directing investment to environmental land management schemes which will boost nature and sustainable food production’.

These are welcome commitments, although made against a backdrop of a flat overall farming budget. As Defra seeks to do more for nature and sustainable food production with less, parts of the Sustainable Farming Incentive (SFI) need to be re-examined. Some elements of SFI are not currently functioning well, directing limited resources at outcomes that do not align with Defra objectives and will not support farmers to overcome the primary environmental threat to their livelihoods.<sup>1</sup> SFI remains the largest, and most environmentally under-delivering, environmental land management (ELM) scheme.

To follow through on the approach set out on Budget day, and to demonstrate environmental bang for taxpayer buck, Defra should reform SFI. This needs to be done swiftly; Treasury decisions on Defra budget allocations in the Spring 2025 Comprehensive Spending Review will be made based on demonstrable value for money and meaningful contribution towards the achievement of the Government’s environmental mission. SFI needs to change if Defra is to meet these tests and stand a good chance of securing a bigger budget to support environmental recovery in farmed landscapes and the long-term future of farming.

This briefing proposes reforms to SFI, which would make the scheme a more cost-effective and productive delivery mechanism for the Government’s environmental mission

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<sup>1</sup> <https://eciu.net/media/press-releases/2024/england-set-for-top-three-worst-harvest-as-impact-of-wet-winter-continues-to-linger>



### A birds-eye view of SFI issues

Done well, SFI can represent a positive step forward in the agricultural transition, and welcome steps have already been made in 2024 to improve the SFI offer. To improve the long-term efficacy of the scheme for nature and the taxpayer, this approach needs to be accelerated to iron out outstanding early delivery issues with SFI.

Overall SFI incorporates too much “pick and mix” and low value for money actions, unsupported by advice, that are not linked to the delivery of environmental outcomes.

Although farmer uptake of SFI is encouraging, we are concerned that this is primarily being driven by farmers looking to recoup the loss of the Basic Payment Scheme rather than adopt a genuine whole-farm approach to nature-friendly farming. In many cases, well-resourced and accessible advisory support is required for farmers to make the most of the scheme and translate actions into outcomes. For example, otherwise welcome options like the expanded SFI option ‘GRH6 managing priority habitat species-rich grassland’ are hindered by the absence of appropriate advice to help farmers understand if their land is eligible and how to manage and restore it.

To truly deliver, SFI needs an in-built mechanism to ratchet up ambition over time. In practice, this means farmers should be allowed to adopt more basic options when they join SFI but will be required to progress to more ambitious actions over a transition period, supported by advice.

The SFI also needs design tweaks to optimise the offer and prevent the take-up and implementation of actions that are later reversed by other actions, as this compromises the delivery of permanent outcomes for nature. Unhelpfully, some SFI actions are not lined up with the two most environmentally ambitious ELM schemes, Countryside Stewardship Higher Tier and Landscape Recovery. For example, SPM2 (Keep native breeds on grazed habitats supplement) in the new SFI expanded offer is eligible for land in SFI, but not in many equivalent Countryside Stewardship options.

We urge the Government to change SFI to reduce wastage and better deliver targeted outcomes. Optimising the SFI will deliver broad changes towards sustainable farming practices and ensure it contributes to the delivery of public goods and legally-binding nature and climate targets.

In parallel, the Government needs to prioritise investment in the high-ambition schemes. A properly funded Countryside Stewardship Higher Tier (in terms of scheme funding and advice/support) would significantly relieve pressure on the SFI by allowing land managers to access the most appropriate options for the habitats they are managing.



### SFI reform recommendations

Generally, the design of the SFI is not well-linked to the outcomes it is intended to deliver. The above issues, and those in the annex below, highlight improvements that will enable the Government to save money and improve ELMs in the short term. A decision not to make these changes risks locking in low-return-on-investment public spending for multiple years.

In addition to the recommended changes set out in the below annex, Defra should invest in nature-positive farm advice.<sup>2</sup> To maximise environmental outputs and value for money, the Government should also consider:

- **Increasing capacity to measure outcomes**, with a view to eventually adopting outcomes-based payments within Countryside Stewardship Higher Tier or certain endorsed options such as species-rich grassland as a "top-up" to the successful delivery of scheme actions (i.e. a 10% uplift to an action payment if at the end of the 3-year or 5-year period, the outcome has been demonstrably achieved).
- **Reviewing the case for transitioning certain low-ambition SFI actions into regulatory actions for savings.** Equally, introducing a transitional requirement for farmers to demonstrate a clean bill of regulatory compliance before the receipt of public funding would ensure the budget is being spent fairly and on the highest value for money actions.
- **Reducing spending that does not directly improve nature**, such as management fees for entering the scheme, and cutting down on the production of multiple, separate plans. Introducing a singular whole-farm land management plan would support some of these cost savings.
- **Incorporating attractive packages** (e.g., a Wildlife Package) would introduce an element of guided choice and reward farmers for optimising SFI outcomes for nature, climate and food production.
- **Ensuring that SFI actions deliver long-term permanent habitat restoration** rather than driving investment in temporary habitats.

### Annex: Quick-Fixes for Improving SFI Spending

<p><b>CSAM3:</b> <b>Herbal Leys</b></p>	<p>CSAM3 is a prime illustration of an SFI action currently being implemented in ways that undermine nature and climate targets, requiring urgent improvement for environmental benefits and value for money spending. Poorly advised herbal leys are being poorly delivered in the wrong places, at huge scale and at a high cost to the taxpayer.</p>
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<sup>2</sup> [https://www.wcl.org.uk/docs/Link\\_Briefing\\_Priorities\\_ELMS\\_July\\_2024.pdf](https://www.wcl.org.uk/docs/Link_Briefing_Priorities_ELMS_July_2024.pdf)



In the right place, herbal leys are extremely [impactful](#) – contributing to improved biodiversity and carbon reduction. However, there are multiple anecdotal examples of herbal leys being used – or recommended for use – inappropriately:

- Fields which already contain semi-improved or even species-rich grassland are being reseeded for herbal leys to qualify for high payments under the SFI action (as they are not reaching the category for Higher Tier options in Countryside Stewardship and there is a discrepancy in payment). This focus on a short-term herbal ley gain damages the potential for long-term meadow restoration.
- Land agents are advising farmers with meadows and pastures that are not good enough for Higher Tier to go into Herbal Leys, as this is the easiest, quickest or most financially advantageous avenue. However, this advice has resulted in examples where permanent pasture is being sprayed off, ploughed and reseeded with herbal ley mixtures.
- The farmer has been in HLS, with HK7 meadows, but these meadows have not been mapped as priority habitats – so the meadows are being put into CSAM3 instead.
- Farmers have had CSAM3 agreed in SFI, and have implemented the changes, yet the Rural Payments Agency has then refused payments as the option was implemented in a field with historic features.

Pasture for Life recently sent a widely-supported joint [letter](#) on CSAM3 to the Government which covers many of these issues and outlines recommendations for addressing them. Recommendations outlined by the Link network include:

- Introducing a meadow/grassland payment in SFI that is higher than the Herbal Leys payment. Such a payment is expected but details are still forthcoming.
- Making PG01 (permanent grassland) ineligible for CSAM3, or placing additional checks on applications for CSAM3 on PG01 land, on par to endorsed actions.
- CSAM3 needs to be more clearly described. The current guidance does allow for the action to be used on existing grassland that meets the requirements, but this is covered by two short bullet points at the bottom of the “what to do section” after roughly 20 lines relating mostly to reseeding/seed mixes. Simply reordering this so that it starts with “You can maintain an existing sward to get paid for this action or if your existing sward does not already meet the requirements...” would be a great improvement and adding in a requirement not to cultivate or reseed areas that contain existing semi-improved grassland would further protect against inappropriate use.



	<ul style="list-style-type: none"> <li>Addressing the mismatches in payment rates across similar options, e.g.: CSAM3 (herbal leys £382/ha); CLIG3 (V. Low Input Grassland £153/ha); GS6/7 (restoration/management of species-rich grassland £646/ha - but scheme currently not accepting applications)</li> </ul> <p>More broadly, the issue with CSAM3 is symptomatic of a wider issue in SFI design: investment in temporary habitats, at the expense of long-term potential for permanent habitat restoration.</p>
<p><b><u>Public Access and Education</u></b></p>	<p>The Agricultural Transition Plan Update in January 2024 set out a range of access actions under ELMs. However, the new access offer is very light on detail and requires further guidance from the Government to ensure that land managers understand the actions and are supported by the right expertise to deliver positive access outcomes.</p> <p>Anecdotal evidence demonstrates that the public is having their access rights restricted in some instances where other ELM actions (e.g., clover cropping) are being implemented. Land managers have a legal requirement under the Highways Act 1980 to reinstate public rights of way where ploughing and cropping take place. In the absence of a condition of compliance for receipt of payment (i.e., the cross-compliance regime), Defra needs to ensure agreement holders understand their existing legal requirements. Not enough details on these requirements are currently provided to land managers. At a minimum, a list of legislation and legal obligations accompanied by appropriate advice and guidance is needed.</p> <p>Link published a detailed briefing on the public access options in ELM earlier this year, see <a href="#">here</a> for more information on our asks for access.</p>
<p><b><u>Upland Grazing Actions: UPL</u></b></p>	<p>In the absence of a functioning Countryside Stewardship Higher Tier, the SFI upland actions are not currently a viable alternative for upland livestock farmers. UPL1 can pay farmers to graze at 0.16 livestock units or above, a level that can be damaging. At these rates, the level of grazing pressure <a href="#">contributes to</a> the decline of habitats by defoliating and trampling flora and overloading potentially already overloaded habitats with nutrients – in particular, where habitats are already in a state of decline:</p> <ul style="list-style-type: none"> <li>For example, UPL1 is eligible on all permanent grassland (PG01), including a wide range of land types, e.g., peat and blanket bog habitats. <a href="#">Evidence</a> shows that certain habitats require rates under 0.16 livestock units.</li> <li>Defra <a href="#">guidance</a> also recommends a density of less than 0.16 GLU for most habitats.</li> <li>Natural England <a href="#">analysis</a> (p.90, p. 61) demonstrates that nearly all stocking rates for different moorland habitats used under Higher Level Stewardship for maintenance and restoration are under 0.16 and 0.08 GLU. Most sites</li> </ul>



	<p>will require restoration rather than maintenance, meaning lower rates are necessary in these circumstances.</p> <p>If SFI continues paying for that level of grazing, it will negatively impact Natural England’s ability to reduce flood risk from water coming off of slopes.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> <li>• Opening up Higher Tier and enabling a large chunk of the uplands to enter into the scheme would mitigate some of the potential negative consequences of UPL1, as well as offering more support for upland farmers. The <a href="#">evidence shows</a> that reducing stocking density to maximum sustainable output makes upland farming more profitable.</li> <li>• The existing SFI action should only be permitted alongside supplements for closure periods to overgrazing in the winter and should not be permitted on areas of deep peat and priority habitats.</li> </ul>
<p><b><u>Nutrient, Manure and Slurry Management</u></b></p>	<p>In terms of reducing nutrient applications across the suite of SFI options, there are clearly some good options for localised reductions e.g. buffer strips, corners or blocks, for low input grassland (presumably mostly ‘maintenance of’, in practice) and some good options for going organic or substituting synthetic nitrogen for legumes, in some options, concurrently reducing other nutrients (notwithstanding issues with some herbal ley/legume options highlighted above).</p> <p>However, what is missing is: a) a comprehensive, whole-farm nutrient management planning action that accounts for available, plant-based and purchased nutrients fertilizers and amendments; and b) an option to reduce total nitrogen inputs to croplands (other than the arable reversion to grassland option).</p> <p>In light of some options showing verification of nutrient applications not being a barrier, we suggest a nutrient management option with appropriate payment rates that drives reduced nutrient applications compared to typical agricultural application rates, which would have a marginal impact on yield, but would significantly increase nutrient use efficiency and consequently reduce nutrient losses to the environment. Low-nitrogen cereal varieties or species (oats, triticale) should be compatible with such an option, particularly where the expectation is for the crop to go for animal feed.</p>
<p><b><u>Soil Actions: CSAM1 and CSAM2</u></b></p>	<p>These CSAM actions lack consistency around what is measured and an overarching absence of data collection tied into the delivery of outcomes.</p> <p>For example, under CSAM1, land managers are paid to develop a soil management plan. However, there is no corresponding obligation for farmers to deliver and implement said plan, which represents poor value for money. Both CSAM actions should be amended to include an implementation requirement.</p>



<p><b><u>CHRW2:</u></b> <b><u>Hedgerows</u></b> <b><u>Management</u></b></p>	<p>Defra have committed to planting/restoring 45,000 miles of hedge by 2050. With no other major mechanisms to achieve this yet, the BN11 capital grant within SFI is assumed to be the main vehicle for funding the planting. Issues with the BN11 wording as it stands threaten to allow (or even encourage) the planting of low species diversity hedges, which are a missed opportunity for wildlife and likely more at threat from climate change and novel/spreading tree diseases.</p> <ul style="list-style-type: none"> <li>• For example, BN11 specifies that if a land manager is located in a region characterised by single species hedges (e.g., the Midlands), they should plant single species hedges.</li> <li>• However, the action does not specify that areas characterised by mixed species hedges should be planted as mixed.</li> <li>• The only nod to diversity is that land managers should generally plant no more than 70% of any one species. It is therefore likely that a 70/30% mix will be a common outcome as it is the easiest and cheapest mix to plant.</li> <li>• Alongside a target of getting 70% of farms into the SFIs, BN11 will presumably be the main vehicle to funding establishment management of these hedgerows.</li> </ul> <p>Tweaks are needed to optimise BN11. The current framing of BN11 may produce perverse outcomes: it drives a risk of land managers planting 45,000 miles of low species diversity hedges, all established in exactly the same way. Biodiversity relies on diversity. This action does not deliver that.</p>
<p><b><u>GHR1:</u></b> <b><u>Manage</u></b> <b><u>rough</u></b> <b><u>grazing for</u></b> <b><u>breeding</u></b> <b><u>waders</u></b></p>	<p>The payment rate, eligibility, aims and description of GRH1 are not fit for purpose and require urgent review.</p> <ul style="list-style-type: none"> <li>• The payment rate of £121 per ha/yr is much too low and provides no incentive to enter this action, compared to the low-input grassland actions. For example, this is more than £400 less per hectare than GS13, which is vital across North Pennines for Curlew, Snipe and Black Grouse as its prescription is easier to amend than UP2. GS13 has already struggled to attract the scale of uptake required to recovery these priority species.</li> <li>• The aims do not reference stocking rates in bird breeding season required to encourage waders to nest. This could significantly undermine the outcomes and should be outlined.</li> <li>• ‘Very short grass’ and ‘minimal’ dense rush is aimed at Lapwing but are not appropriate for all waders.</li> <li>• It is unclear why manures/fertiliser should not be applied as part of this action. Farmyard manure can be very important for waders for feeding and nest camouflage and is permitted under UP2.</li> <li>• It is also unclear why supplementary feeding is not permitted. This can enrich habitat for nesting and feeding, and advisers often see nests in areas</li> </ul>



	<p>where stock have been fed. Feeding areas should cause only minimal poaching.</p> <ul style="list-style-type: none"> <li>• As the aims are quite vague, a reference to the percentage of rush cover may be required.</li> <li>• The aims also do not encourage wet features during the breeding season; these must be added to the ‘aims’ or ‘what to do’ section</li> </ul>
<p><b><u>GRH6</u></b> <b><u>Managing</u></b> <b><u>Priority</u></b> <b><u>Habitat</u></b> <b><u>Species Rich</u></b> <b><u>Grassland</u></b></p>	<p>GHR6 is an example where more advisory support is needed for farmers to help them understand if their land is eligible and how to manage/restore it. The action also requires Natural England endorsement, a process that is contingent on Natural England resourcing and priorities.</p> <p>Overall, there is an overreliance on an ‘in or out’ approach to species-rich grasslands as a priority habitat. This neglects the opportunity to identify areas with significant potential to foster nature-friendly farming approaches, support them with introductory options that can restore or create species-rich grasslands, before progressing to GRH6.</p> <p>Solutions include:</p> <ul style="list-style-type: none"> <li>• Open the GRH6 action to all farmers.</li> <li>• Draw up pathways around grassland and arable options. For example, the pathway from CLIG3 to GRH6 is unlikely to be clear enough for applicants to properly plan for. Currently, this route is presented as an all or nothing journey, as opposed to a stepped one supported by an intermediary payment.</li> </ul>
<p><b><u>General</u></b> <b><u>points on</u></b> <b><u>Protected</u></b> <b><u>Landscapes</u></b></p>	<p>A key issue specific to Protected Landscapes (PLs) is their classification as sensitive areas (which is a good thing), but this excludes applicants within PLs from accessing several options, particularly agroforestry. These options should become endorsed options within PLs, with the relevant PL team having that endorsement role.</p> <p>Some SFI Actions are not available on land containing mapped Selected Heritage Inventory for Natural England (SHINE) features. In some cases, these SHINE features cover a small area of the whole field parcel but result in the whole field parcel being ineligible. An example where there is a potential solution is a field barn and associated curtilage: the field barn and associated land can be mapped as a separate field parcel using a RLE1 form. However, this is not a feasible solution for other SHINE features.</p>

Wildlife and Countryside Link (Link) is the largest nature coalition in England, bringing together 86 organisations to campaign for nature, climate, animal welfare and a healthy environment for everyone. Wildlife and Countryside Link is a registered charity number 1107460 and a company limited by guarantee registered in England and Wales number 3889519.





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