



## Open Report on behalf of James Drury, Executive Director - Commercial

Report to:	<b>Environment and Economy Scrutiny Committee</b>
Date:	<b>12 January 2021</b>
Subject:	<b>County Farms</b>

### Summary:

This report provides an update to Members on the County Farms Estate in terms of current challenges, the Agriculture Act and future Strategy.

### Actions Required:

The Committee is invited to note and comment on the report.

## 1. Background

1.1. During the past twelve months there have been some significant changes to the Agricultural sector. This report is to provide Members with an update on the challenges and actions taken.

## 2. Covid-19

2.1. The pandemic caused some disruption to markets, such as for prime beef and chipping potatoes, but the economic impact for most arable farmers was relatively limited. The Council's primary concern was for the welfare of the tenants and the potential social impact of the lockdown measures and the isolation that this could bring to people already living in some relatively remote locations.

2.2. Regular contact with tenants was put in place and contact details of Savills, Lincolnshire Rural Support Network (LRSN), and the Royal Agricultural Benevolent Institution (RABI) were widely shared and encouraged as support networks.

## 3. Extreme Weather Conditions

3.1. The weather has been a bigger economic factor for farming over the past year. According to the Met Office, in June 2019 Lincolnshire received 230% of the rainfall expected for the month. Leverton in Lincolnshire recorded 101.2 mm on 10 June. New records were set for two-day and three-day total

rainfall in Lincolnshire on 10-11 and 10-12 June respectively. To follow this, autumn rainfall records were broken for Lincolnshire. This was followed with the driest spring on record, with just 37.3 mm of rain falling in Lincolnshire, just 27% of the long term average.

- 3.2. This adversely impacted the 2020 harvest. DEFRA's estimate of the UK's 2020 wheat crop is 10.1m tonnes, some 37.5% lower than 2019, well below the five-year average (15.1m tonnes) and the lowest since 1981. It is expected that this will have a financial impact on arable farmers over the next twelve months.
- 3.3. Although we cannot control the weather, this has added to the importance attached to ways of mitigating extreme weather such as both drainage and irrigation.



**LCC Wainfleet Estate – June 2019**

#### **4. Support as a Landlord**

- 4.1. Both Covid-19 and the extreme weather have understandably required support from Lincolnshire County Council (LCC) as landlord. In conjunction with daily estate management contact with tenants, the following actions were carried out:
  - RABI was invited to present at the annual tenants meeting on 27 February 2020. Invitations sent to all tenants and all contact details included.
  - RABI details included within the annual newsletter to all tenants (February 2020).
  - Email sent to tenants on 17 March 2020 with team contact details and details of RABI and LRSN.
  - Email sent to tenants on 29 June 2020 confirming contact details, reiterating RABI/LRSN's details, and sharing a link to Covid-19 Business Support.
  - Email sent in October with link to the Farmworker App, again with all contact details for Savills and RABI/LRSN.
- 4.2. In respect of financial support and the potential difficulties in meeting rental demands, tenants have been encouraged to make contact as soon as possible in order that support and payment plans can be agreed. Tenants will be asked to provide the previous year's approved accounts to support their claim and understand whether there are any additional issues. Each enquiry

will be assessed on an individual basis. To date, support has been provided to one tenant in terms of an extended rental payment date as requested by the tenant and approved by the Portfolio Holder.

- 4.3. It should be noted that by their nature, farmers are very proud and private individuals and in some cases assume that by asking for support, it is seen negatively. We have attempted to alleviate those fears by advising as frequently as possible, that early contact is essential and having them remain as tenants is the Council's focus.

## **5. Agriculture Act 2020**

- 5.1 Following the Agriculture Bill receiving Royal Assent in November 2020, DEFRA has produced its Transition Plan 2021-24, providing some clarity on plans for post Brexit farm support in England.
- 5.2 The Government has now set out how much BPS (Basic Payment Scheme) Direct Payments will be cut each year between 2021 and 2024, and how this released money will be used through new grants and schemes to help agriculture become more productive and prepare for there being no direct subsidies from 2028. There is more detail on what the Environmental Land Management (ELM) scheme will look like, as well as information on the funding available throughout the transition. The transition period begins on 1 January 2020 and ends in 2027.
- 5.3 The total spend on Direct Payments will be reduced by around 10% in 2021 and 15% in both 2022 and 2023. DEFRA has now confirmed the reduction rates to be applied to Direct Payments in 2021-24, a banded structure (like income tax) will be used to cut payments meaning that larger payments will be cut more heavily.
- 5.4 Modelling suggests that based on historic payment data, 80% of farmers fall in the bottom band as their payments are currently less than £30,000. Relative to their current payments, these farmers will experience cuts of 5% in 2021, 20% in 2022, 35% in 2023 and 50% in 2024.
- 5.5 The average payment reduction for businesses in 2021 will be 5.8%, but payment to 1 in 10 businesses will be cut by 10% or more. Payments to the largest claimants will be cut by almost 25%. For farmers currently receiving over £150,000, the amount of their payment over £150,000 will be cut by 70% by 2024. This is further and faster than the sector had been expecting.

## **6. Lump Sum Exit Scheme**

- 6.1. DEFRA intends to run a Lump Sum Exit Scheme in 2022. This would allow farmers who wish to exit the industry to take their remaining transition period Direct Payments as a capitalised lump sum. The Lump Sum Exit Scheme is intended to assist farmers who are thinking about retiring whilst creating opportunities for new entrants into the farming sector. There will be a consultation on the Government's specific proposals early in 2021. Following

that consultation, we will be in a position to model scenarios of the likely effect on the LCC estate.

## **7. Future Strategy**

- 7.1 The County Farms Strategy will be updated over the next twelve months, providing time to understand the Act changes, trade arrangements and other significant issues as well as undertake meaningful consultation.
- 7.2 In the meantime, liaison with the Countryside Services lead, Chris Miller, is taking place to ensure connectivity in delivering the Council's aspiration to plant 750,000 new trees/hedging and the part that the farm estate can play in that.

## **8. Conclusion**

- 8.1 The County Farms Estate may be subject to substantial change as a result of the Agriculture Act 2020.

## **9. Consultation**

### **a) Risks and Impact Analysis**

The risks and impact of the changes as listed above will become more apparent as further details are released by the Government. At that stage, modelling will be undertaken and reported accordingly.

## **10. Background Papers**

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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