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Unlock the value of grasslands – SFI reform

Simple fixes to the Sustainable Farming Incentive (SFI) to accelerate progress on UK Government environment and climate targets. Key recommendations:

- **Link SFI grassland actions with further opportunities in Countryside Stewardship Higher Tier,** so public money invested in SFI generates more and longer-lasting nature and climate outcomes, such as increased drought resistance in permanent species-rich grasslands;
- **Ensure that the payment rates for permanent low/no input grasslands are at least equal to rates for temporary actions** (e.g. herbal leys), to balance economic incentives within ELM and drive better environmental outcomes;
- **Implement a new SFI action for Good Quality Semi-Improved Grassland, and a appropriate grazing supplement/action,** to help more farmers make the most of permanent grassland to deliver multiple 'public goods', and balance incentives around herbal leys;
- **Clarify eligibility criteria for creating, restoring, and maintaining species-rich grassland in SFI**. Ensure that species indicator thresholds and species mixes align with existing guidance, driving farmer confidence in the scheme and uptake of a value for money option.

Unlock the multifunctional value of grasslands

Modest but strategic changes to Sustainable Farming Incentive (SFI) can deliver better value for public money. Applying learning from earlier versions of the scheme, a revised SFI could unlock the multifunctional value of permanent grasslands, which make up 40% of England's agricultural land.

The Environmental Land Management (ELM) Scheme is vital to the achievement of a suite of Government targets and priorities, including those set out within the Environmental Improvement Plan (EIP). In particular, ELM is key to delivery of 'wildlife-rich habitat', to create or restore 500,000 ha by 2042. **The Defra Farming and Countryside Programme has so far delivered 3,698 ha of 'wildlife-rich grassland'**[1]; on a par with native woodland habitat (3,681 ha) delivered by bodies such as the Environment Agency, Forestry Commission and Forestry England.

The SFI reform is an opportunity to accelerate this progress towards EIP targets, whilst simultaneously maintaining farmers' livelihoods in a thriving rural economy, producing sustainable, nutrient-dense food and sequestering, stabilising and storing more soil carbon.

[1] Natural England, Environment Act Habitat Target – Evidence Report 2025 May 2025 Natural England Joint Publication JP063

The urgent need to get SFI right is illustrated by the range of issues impacting on our most important grasslands, for example:

- According to data in a recent Environmental Information Release (at Annex A), **5,220ha of England's priority habitat grasslands risk having been ploughed up and destroyed by public money for herbal leys**. Further, there was **no system in place for Defra to monitor their cumulative destruction**.
- **Existing high nature value grasslands are seriously underrepresented as a focus for Landscape Recovery projects and agreements.**
- With SFI paused under review, no funding currently available for the majority of grassland farmers and unclear market signals, many farmers are intensifying production, which likely involves practices which release greenhouse gas emissions and risk increased air and water pollution. This is borne out in **Natural England's increasing caseload under the Environmental Impact Assessment (Agriculture) regulations**.

More widely there is a need to rebalance the approach – in SFI and across land use policy, so that the contribution of low-input grasslands to food systems, nature, landscape and heritage is better recognised. SFI funding disproportionately favours arable farming, which is overall in less need of government support than non-intensive grassland farming. Cereal crops for animal feed use around 40% of the UK's entire arable land[2]. Rather than taking permanent grasslands out of production, much of this cropland could feed humans directly, whilst supporting farmers to graze their livestock **on low/zero input permanent grasslands which provide multifunctional benefits and support nature recovery.**

Without action to remove herbal ley loop holes and incentivise the management of permanent grassland, ELM risks driving the decline of already rare species-rich grassland habitats which have been part of farming heritage for centuries if not thousands of years.

Link grassland actions in SFI to Countryside Stewardship Higher Tier

The value of public investment in the carbon storage and biodiversity of grasslands is subject to changing policy and markets signals.

The SFI review offers a unique opportunity for Government to demonstrate long-term thinking and maximise the value for public money from ELM, by investing in win-win permanent grasslands through **linking SFI grassland actions explicitly to ELM Higher Tier actions**, **so that there is a clear pathway of incentives and signals that give farmers the confidence to retain and create permanent grasslands which deliver nature and climate outcomes**.

[2] https://www.wwf.org.uk/sites/default/files/2022-06/future_of_feed_summary.pdf

This could be achieved by:

- **Providing clear market signals** – the payment rates for permanent low/no input grasslands must be significantly higher than for temporary actions on the same land (such as herbal leys);
- **Ensuring that management of existing species-rich grasslands is always the option which secures the best payment rates,** closely followed by restoration of Good Quality Semi-Improved grassland. The increase in species-rich grassland action payment rates was welcome, but it does not reflect the true cost of maintaining these grasslands, particularly smaller <2ha grasslands;
- **Revising Higher Tier guidance to emphasise that, where possible, local provenance native wildflower seed should be used to create or restore species-rich grasslands**. In options GR1, GR2, and GR3, guidance should make it clear that locally-harvested native wildflower seed is the preferred option as it helps support the local area's native flora and is best adapted to local soil and climatic conditions.

Implement an additional SFI action for Good Quality Semi-Improved Grassland, and a regenerative grazing supplement/action

- **Implement an additional SFI action for Good Quality Semi-Improved Grassland (GQSIG) to support farmers to increase native species diversity on permanent grassland. A supplement or specific regenerative grazing action could also be introduced.** This GQSIG action should be clearly defined to fit within grassland classification systems (to avoid overlap with the Priority Habitat Inventory Condition B, and fitting with the BEHTA handbook).

These would provide **suitable funding pathways to boost biodiversity, for those farmers and landowners who already have low-input grassland or moderately species-rich grasslands**. This approach would:

- Retain low-input/no-input grasslands with some plant diversity;
- Widen support for regenerative farming from arable to pastoral farming system, and;
- Encourage 'escalator' actions that over time lead to more species-rich priority habitat grassland, whilst retaining in sustainable food production much of the UK's grassland with the highest future restoration potential.

Herbal leys

- There must be **a viable and attractive alternative offer to herbal leys**, to support farmers to make the most of their permanent grassland and maximise the delivery of environmental outcomes with public money. An additional action for GQSI grassland would provide that alternative, whilst helping to develop a pipeline of potentially restorable grassland in the future.

Herbal leys currently pay £382 p/ha per annum, compared to the low-input grassland option that pays £151 p/ha per annum. Herbal leys accounted for around a quarter of SFI agreement funding in 2023; see Pasture for Life's open letter to Defra for more detail.

Herbal leys are beneficial in the right context such as arable rotations. However, if implemented in the wrong location, they risk **poor or short-lived establishment (especially on permanent grassland), damage to existing species-rich grassland habitats, lost opportunities for permanent grassland restoration, and poor returns for farmers and the public purse**.

There is evidence that herbal leys are being used beyond their intended context (on land classed as permanent improved grassland, arable, and temporary grassland), and have been sown into permanent grassland that is priority habitat species-rich grassland. **This needs to be addressed to prevent further harm and loss of these rare and important grasslands occurring**. At present, the Rural Protection Agency (RPA) and Defra have no mechanisms in place to monitor and assure the public that ELM/SFI funds is delivering strong environmental outcomes and protecting priority habitats.

There **are ways to better target CSAM3 and support the transition of more species-poor grasslands, through to GQSIG, and then species-rich grassland in the future**. For example:

- **Accessible advice for farmers on the importance of GQSIG** as a habitat in its own right, as well as its restoration opportunities, and;
- **Best practice advice on the establishment of herbal leys** in the right contexts.

Clarify eligibility criteria in action guidance

Simple fixes to the wording of the GRH6 action (manage priority habitat species-rich grassland – endorsed) guidance to refer back to existing guidance for indicator species would enable farmers and advisors to clearly understand the eligibility criteria and confidently apply this to actions, **ensuring the most suitable action is in place to deliver clear environmental outcomes and contributes to EIP targets.**

1. Indicator species threshold

- **A small change to the wording on GOV.UK guidance for SFI GRH6 would align the action's indicator species threshold with previously established thresholds for species-rich grasslands within agri-environment scheme guidance:**
  - Countryside Stewardships Baseline Evaluation of Higher Tier Agreements (BEHTA)
  - previous Farm Environment Plans (FEP) criteria.

As currently worded, GRH6 guidance sets a much higher threshold for the number of indicator species than already exists in Higher Tier guidance for species rich grassland priority habitat. This is **causing confusion among farmers and advisors regarding the**

eligibility of grasslands for the SFI GRH6 action, particularly when Higher Level Stewardship (HLS) agreements end, which is **limiting action uptake and thus environmental outcome delivery against EIP targets**.

2. Indicator species

- **SFI guidance should align with previous guidance** and make it clear that, where rare and unique indicator grassland species occur, these grasslands will continue to be eligible for the GRH6 option. **Eligibility should encompass any variances in indicator species thresholds** that are a result of complex underlying geology and/or different soil types that can give rise to significant botanical diversity/variability within one field.

Aligning the GRH6 guidance with grassland habitat indicator species in existing BEHTA/FEP guidance does not fully resolve the situation for grassland fields with complex soils, where indicator species from one or more grassland habitats can be present within the sward.

The current GRH6 guidance restricts these indicator plant species to just one grassland type. This penalises farmers by systematically undervaluing any other species-rich priority habitat grassland plants that occur together within one field; for example, there could be plant species associated with sandy soils, and a few footsteps away could be species that favour damper soils. A field may have a sufficient range and frequency of indicator plant species present to be a species-rich grassland, but its botanical variability means it **fails to neatly fit the individual G05, G06 or G07 BEHTA manual threshold**s.

SFI guidance has exacerbated this, by excluding certain indicator plants from qualifying because they occur in neutral grassland, outside of a floodplain. For example, Devil's-bit scabious or Pepper-saxifrage are indicators of species-rich grasslands that occur on damp, neutral clay soil grasslands, not just within floodplains.

The current SFI approach is creating confusion on GRH6 eligibility and the endorsement process. Farmers are likely missing out on endorsement of high value grasslands and the access to scheme options which results.

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Annex A: EIR herbal leys & priority habitat grasslands

Our ref: EIR2025/01287 14 February 2025

REQUEST FOR INFORMATION: Grassland priority habitats where the Sustainable Farming Incentive (SFI) option 'CSAM3: Herbal leys' has been established

Thank you for your request for information of 21 January 2025 about grassland priority habitats where the SFI option 'CSAM3: Herbal leys' has been established. We have handled your request under the Environmental Information Regulations 2004 (EIRs).

The EIRs apply to requests for environmental information, which is a broad category of information defined in regulation 2 of the EIRs. Public authorities are required to handle requests for environmental information under the EIRs. They give similar access rights to the Freedom of Information Act 2000 (FOIA).

Your information request and our response are set out below.

Any assessment of the area of each of the grassland priority habitats where the SFI option "CSAM3: Herbal leys" has been established.

I would like this data to cover the period from the start of the scheme up to the most recently available figures.

We enclose a copy of the information you requested. The analysis below is based at parcel level, where at least 90% of the parcel contains mapped grassland priority habitat.

We have included data for both SAM3 and CSAM3 in the table, based on the most recently available SFI action uptake data, from the launch of SAM3 in September 2023 up to October 2024.

Grassland type	**Parcels with SAM3/CSAM3 (habitat >90% parcel)**
Calaminarian grassland	0
Coastal and floodplain grazing marsh	5018ha
Lowland calcareous grassland	41ha
Lowland dry acid grassland	11ha
Lowland meadows	76ha
Purple moor grass & rush pastures	67ha
Upland calcareous grassland	0
Upland hay meadows	7ha

Please note the following in respect of the above data:

• Defra does not hold SFI action data at the sub-parcel level, so it is not possible to categorically state where herbal leys have been established on land mapped as grassland priority habitats.

• Where the herbal ley action overlaps with grassland priority habitat, it does not necessarily mean the habitat has been significantly impacted. Where the existing priority habitat sward contains the mix of species required for a herbal ley it is entirely possible the existing management is continuing.

• Coastal and floodplain grazing marsh is principally improved grassland with low species diversity.

• SAM3 was updated to CSAM3 in May 2024. The update increased the required species diversity and limited the amount of fertiliser that could be applied. • Wider changes to SFI actions published in summer 2024 aimed to tackle the issue of grassland habitats being inappropriately entered into CSAM3. This included expanding the number of actions available and moving the species-rich grassland action from Countryside Stewardship Higher Tier to SFI. We increased the species rich grassland payment rate to £646/ha, which is significantly higher than the payment for herbal leys. We also equalised payments for the creation and maintenance of species-rich grassland. Defra will continue to review this issue and take further action if needed.

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Annex B: co-benefits of permanent species-rich grasslands

Permanent, species-rich grasslands and meadows deliver overlapping benefits for people, nature, and climate, and are managed in low-input systems without/with little fertiliser, pesticides, and ploughing. They:

- Store and sequester soil carbon deep underground, with the potential to store more through the restoration of plant and fungi diversity;
- Build healthy soils, with improved water infiltration and retention, and drought resistance – especially when combined with appropriate grazing approaches (e.g. mob grazing, rotational);
- Reduce greenhouse gases released during the manufacture of artificial fertilisers;
- Reduce release of ammonia and nitrous oxide when artificial and organic fertilisers are applied to soil (these gases combine in the air to form particulate matter that is harmful to human health);
- Reduced water pollution that leads to algal blooms in water bodies, and nitrates within drinking water;
- Producing sustainable, nutrient-dense meat and dairy;
- Maintaining suitable breeds of grazing livestock needed to deliver essential conservation action, whilst reducing a farmer's input costs;
- Provide essential habitats for a great diversity of threatened farmland species such as Devil's-bit scabious, waxcap fungi, and curlews.

The management of low-input permanent grassland (LG1 & LG2) provides the co-benefits of reducing input costs, greenhouse gas emissions, and air and water pollution.