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“Agricultural Transition – First Steps Towards Our National Policy”: NFU Scotland’s Response

Executive Summary

1. The political, economic and social context in which Scottish agriculture finds itself has changed dramatically. Environmental imperatives now demand that food is produced sustainably. In doing so, Scottish agriculture carries far greater expectations and responsibilities than before. As a consequence, agricultural policy must also change significantly.
2. The UK’s departure from the European Union, and therefore the Common Agricultural Policy (CAP), the Single Market and a raft of regulatory levers, provided an obvious catalyst for change. However, it is the current environmental agenda that is driving the need for agricultural and rural policy to be redefined.
3. The scale and urgency of the change that is required cannot be overstated either. Given the array of targets that Scottish agriculture must play a key role in attaining, the Scottish Government cannot adopt a ‘business as usual’ approach only to 2025.
4. While the Scottish agricultural industry required a period of stability in the wake of EU departure and the uncertainties of the day, together with rapidly rising and volatile input costs and fragile supply chains, there is also an overdue need to prepare for change.

5. NFU Scotland welcomes the opportunity to respond to the Scottish Government's consultation on "Agricultural Transition – First Steps Towards Our National Policy", published on 25 August.
6. NFU Scotland recognises that the consultation provides an overview of the key themes and recommendations emerging from the five Farmer Led Climate Change Groups (FLGs) process. It also sets out a number of key questions on the FLGs' recommendations which are intended to inform wider work on the development of agricultural policy and in particular the replacement to the CAP.
7. NFU Scotland also notes that the Agricultural Transition consultation states "Our approach will support farmers and crofters to ensure their economic sustainability as we deal with the twin global emergencies of climate change and biodiversity whilst also continuing to produce high quality food."
8. Moreover, the Scottish Government's Programme for Government commits to 'conditional' support by stating that "As part of our future legislative reforms, by 2025 we will shift half of all funding for farming and crofting from unconditional to conditional support, with targeted outcomes for biodiversity gain and a drive towards low carbon approaches which improve resilience, efficiency and profitability."
9. In particular, NFU Scotland welcomed the commitment to the National Test Programme that will begin in spring 2022, with up to £51 million of investment over the following three years, to financially support farmers and crofters to establish a clear baseline and options for action. This 'kick-start' is what Scottish agriculture needs in the 2022 to 2024 period if sufficient progress is to be made from 2025 under a completely revised package of support.
10. NFU Scotland considers it essential to ensure the right tools and support are in place when, from 2025, the climate and biodiversity performance of farming and crofting businesses is likely to determine the level of agricultural support payments received.
11. In that context, NFU Scotland considers this a defining moment for the future of Scottish agriculture.

12. How support under agricultural policy in Scotland will be delivered in the future must be exclusively focused enabling every farm and croft in Scotland, regardless of size, type or location, to play its part in delivering against the trio of today's objectives – namely, food production, climate ambitions and biodiversity enhancement – simultaneously.
13. The trio of complementary objectives of agricultural support are beyond doubt. Moreover, successful delivery on all three fronts simultaneously will critically depend on whether the Scottish Government meets its responsibility to enable every agricultural business - regardless of size, type or location - to, firstly, plan and prepare for change and, secondly, adapt agricultural management and investment in order to then deliver the outcomes required.
14. NFU Scotland is certain that only active farming and crofting can deliver on the three required objectives. It is active farming and crofting that binds these priorities and in doing so delivers for the Scottish economy by underpinning the food and drink sector, while acting as the lynchpin for the rural economy and sustaining rural communities.
15. However, NFU Scotland is also unequivocal in its view that attaining such objectives can only be achieved if Scottish Government enables Scottish agriculture to adapt and then deliver. There must be a Just Transition for Scottish agriculture. That means developing an agricultural support system for 2025 onwards that brings about the right actions to deliver the outcomes required without compromising the viability of agricultural businesses and all of the socio-economic benefits derived from active farming and crofting.
16. In addition, if Scottish agriculture is to meet the expectations and responsibilities it now carries, the Scottish Government must also act with urgency to ensure all farms and crofts are afforded an effective transition to 2025 by ensuring baselining, data capture and planning are undertaken on an unprecedented scale from 2022 to 2024.
17. Only by kick-starting the process of adapting to change will Scottish agriculture be able to adjust to fully respond to 'conditional' payments from 2025 and turn the challenges it faces into the opportunities of a sustainable and profitable future.

NFU Scotland's Position on Future Agricultural Policy Development and Implementation

18. The Scottish Government has enshrined climate change targets in legislation – notably via the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019. The overall Scottish emissions reductions targets are for a 75 per cent reduction (relative to emissions in the baseline year of 1990) by 2030 and for net zero by 2045. Net zero means that any emissions into the atmosphere are balanced-out by equal removals from it, for example through carbon sequestration into trees, grassland and crops, and soils.
19. All sectors of the economy are expected to share in the effort required to achieve these overall targets. Consequently, the update to the Scottish Government's Climate Change Plan 2018-2032 includes specific aspirations for agriculture: "By 2032, the agriculture sector in Scotland will have adopted and be competently using all available low emission technologies throughout the whole sector" and "In 2045, our agriculture industry will have been transformed into a low emissions, holistic and integrated food production system that has a low environmental impact as well as benefitting nature, restoring biodiversity and contributing to our economy".
20. The wording of the 2045 aspiration is an important reminder that addressing the climate emergency is not the only policy imperative. Rather, domestic agriculture also has a key role to play in food production, economic vibrancy and improving other environmental public goods such as water and air quality, habitats and landscapes, and biodiversity. Indeed, Scottish ministers have consistently stressed that sustainable food production remains a priority.
21. This highlights that simply reducing agricultural activity to achieve domestic emissions reductions targets would have implications for other policy objectives, such as the £30 billion output from the food and drink sector by 2030 as set out in Ambition 2030. Hence, a more balanced approach and a 'just transition' are essential.
22. It is also important to note that because emissions and climate change are an international concern, unilateral reductions in domestic emissions may give the illusion of local progress yet be of no relevance globally if emissions are simply relocated to other geographies – so called 'off-shoring'.

23. Following earlier publication of the Suckler Beef Climate Scheme (SBCS) report, the Dairy, Arable and Hill, Upland and Crofting farmer led groups (FLGs), alongside the pig sector leadership group, collectively established a clear roadmap on how Scottish agriculture can meet the challenges of combating climate change and biodiversity loss whilst contributing to Scotland's ambitious food and drink sector targets.
24. The sectoral reports from the FLGs, published between November 2020 and the end of March 2021, provide an informed industry perspective of the challenges and opportunities faced.
25. NFU Scotland is clear that the main messages and recommendations provided the way for the design and implementation of future agricultural policy in Scotland. As a result, this consultation must do likewise, i.e. use the findings of the FLGs to pave the way to a replacement for the CAP in Scotland via a new Scottish agricultural bill.
26. Moreover, NFU Scotland's is clear that the already established principles of tiered support set out in its policy vision 'Steps to Change' published in March 2018 provide the scheme architecture to deliver support to meet the new suite of objectives around food, climate and biodiversity.
27. Critical to enabling change is how support to agricultural businesses is delivered in the future. There must be a fundamental shift away from blunt area-based support that can incentivise inertia towards a system based on activity.
28. The Scottish Government has set legally binding targets for reductions in the emissions of greenhouse gases. The urgency of addressing biodiversity concerns also means nature restoration needs to happen at the same pace and scale as tackling emissions. In that context, all the FLGs recognise that agriculture can and should contribute to achieving these goals.
29. Importantly, Scotland is radically redesigning policy alongside, but devolved from, the rest of the UK. In the EU, the CAP is also evolving rapidly. Crucially, however, agriculture in Scotland is the key driver behind other policy objectives – including food production, post-Covid economic recovery and rural population retention – all of which must be considered jointly when deciding how best Scottish agriculture's multi-faceted contribution can be retained and enhanced.

30. A focus on emission reductions alone would be too blunt and too simplistic and it will not reduce global emissions if reductions in Scottish agricultural activity merely leads to increases elsewhere and Scotland's agricultural emissions are simply 'off-shored'.
31. NFU Scotland contends that there is significant scope to reduce agricultural emissions in Scotland whilst maintaining and enhancing other benefits through improving productivity, adjusting management practices and carbon storage in soils, peatlands and woodlands. As increased global agri-tech research and development, much of the leading edge of which is based within Scotland, is focused more on reducing agriculture's carbon footprint, and the way that emissions and targets are measured and set, the scope and potential for reducing emissions will expand.
32. For example, methane produced by enteric rumination – the largest single component of Scottish agricultural emissions – can be reduced through breeding programmes, better animal health and nutrition, and emerging technologies such as methane inhibitors. Similarly, better matching of nutrients to soil conditions can reduce nitrous oxide emissions, modern and better maintained machinery can lower carbon dioxide emissions, and soil carbon stores can be protected and increased – all through active agricultural land management.
33. At the same time, different perspectives on emissions and targets are emerging in the form of new climate metrics, which must be advanced in order to properly reflect differences between the various greenhouse gases (GHGs) and recognise the potential to sequester carbon through agricultural land use – not least through management of Scotland abundant grasslands. On that issue, the understanding and measurement of actively grassland management is evolving rapidly.
34. As recently as the UN COP 26 conference in Glasgow, the UN itself openly recognised that grasslands are fundamental to carbon storage, stating that “We often focus on planting trees when we think about drawing down atmospheric carbon, overlooking the important nature-based solutions that grasslands provide. Grasses, working in partnership with fungi and the soil microbiome, can store carbon faster than forests – holding vital water and carbon hidden in their soils”.

35. That statement at least casts significant doubt on the all too blunt binary choice between forestry expansion and food production in a Scottish context.
36. Crucially, NFU Scotland is certain that Scottish agriculture can deliver on deliver on food production, climate change and biodiversity ambitions if the basis for support is 'how' production is undertaken, rather than 'how much', and such an approach to delivering support will continue to safeguard the socio-economic multipliers that are critical to wider rural prosperity while also meeting obligations in climate and biodiversity terms.
37. Future support must be based on the fundamental principles of how the land is farmed, not the area of land occupied – i.e. what farmers and crofters do, rather than what they may have or once had.
38. It is also vital to recognise that operationalising and effecting change will take time. It will require purposeful action across the industry – including other parts of the supply-chain, finance sector, researchers, education providers, advisors and government. From the latter, there is an absolute need for clear and consistent messaging on the direction of policy travel, and appropriate support to aid the transition process.
39. Government support should include the provision of information, advice and training but also, crucially, grant-aid for appropriate capital investments and on-going management. The latter should include funding to help farmers gather necessary data and to plan for how businesses will adjust over time.
40. While the FLG reports highlight common elements to increased conditionality, the sectoral approach fails to recognise the complexity of current agricultural businesses and the need for a single coherent policy framework that has flexibility in delivery across all sectors, farm business types and sizes, and geographies.
41. Whilst the FLGs did not suggest any movement away from conditional direct support, even the retention of the existing framework requires careful consideration of a range of implementation issues if policy objectives are to be achieved. For example, the degree of commonality across different sectors, eligibility criteria, payment rates and monitoring requirements.
42. In the first instance, support should focus on building capacity through helping farmers to gather information and data to understand their businesses (and natural capital assets) better and how to plan for change.

43. This must include environmental auditing of, for example, soil carbon and ecological features and appropriate advisory support will be essential and may require adjustments to current delivery models and content.
44. Thereafter, through a transition period starting in 2022, NFU Scotland is unerring in stating that additional support must be made available to incentivise all farms and crofts to kick start the process of change and adaptation to the stated goal of half of all support being 'conditional' on actions to deliver on the trio of outcomes simultaneously.
45. In that specific context, NFU Scotland welcomed the announcement from Cabinet Secretary Mairi Gougeon MSP on 28 October regarding the National Test Programme that will begin in spring 2022, with up to £51 million of investment over the following three years. The Programme must support and encourage farmers and crofters to adapt their agricultural practices to further help meet climate and nature goals, including offering financial support to establish a clear baseline and options for action for all who participate.
46. While the detail of implementation is yet to be worked up by the Scottish Government's Policy Development Group (PDG) and options considered by the Agricultural Reform Implementation Oversight Board (ARIOB), nevertheless the National Test Programme and its funding in the 2022 to 2024 period does mean, as the Cabinet Secretary said, "We are embarking on a journey of transformation. There will be challenges on the way, there are risks, and there will be tough decisions to be made by us all, but there are also huge opportunities if we want to make them and take them."
47. It is also evident that delivery against today's objectives is likely to require a more complex support framework, one which has multiple payment tiers based on delivery against climate and biodiversity goals. In addition, payments must reward attainment to encourage improvement but also sustained performance. And payments must also recognise and reward those who have already taken appropriate action – not least in benchmarking and data collection to inform management decisions and capital investment.
48. The change required of Scottish agriculture is a journey towards a different and possibly rediscovered perspective of what farming is about. Whilst the desired endpoint destination has largely been defined by Scottish Government targets in legislation and policy, the precise pathway to it has not.

49. While the full route-map need not be clear at this stage and is unlikely to be well beyond the conclusion of this consultation and the emergence of draft legislation under a new Agriculture Bill, nevertheless kick-starting change within the industry is required now so that farmers and crofters can start adjusting their systems and businesses prior to new Scottish agricultural policy being implemented from 2025, as required by the sunset clause embedded in the Agriculture (EU Retained Law and Data (Scotland) Act 2020.
50. Achieving the Scottish Government's food, climate change, biodiversity and rural economy ambitions through a 'just transition' in the agriculture sector will require collective and critical thinking. In that context, timeframes become crucial.
51. Success or otherwise of Scottish agriculture delivering against climate, biodiversity and food sector ambitions must be the appreciation by all – policy makers and decision takers, as well as farmers and crofters - that action is required sooner to instigate change. While initial change may be relatively minor, what is set out and achieved in the 'just transition' phase from 2022 to 2024 will determine success or failure from 2025 onwards.
52. As the Cabinet Secretary put it in the foreword to the consultation, "we can only deliver the change and the outcomes required by working with and through our producers...It is their expertise that will ensure that actions are achievable and that support truly delivers."
53. This is the time for action and NFU Scotland has, over recent years, set out a clear roadmap for robust and credible Scottish agricultural policy in the future that will deliver on the interdependent objectives required. Through this consultation and the work of the ARIOB and the PDG that underpins it, the opportunity now exists to implement a uniquely Scottish agricultural policy that enables a sustainable and profitable future for Scotland's farmers and crofters as they deliver the outcomes in everyone's interests.

NFU Scotland's Specific Comments on the Consultation Themes and Answers to the Related Consultation Questions

Baselining

55. NFU Scotland firmly believes that for all agricultural businesses to make progress, and to understand and be recognised for the progress made, then baseline data is required. At both business and industry level there is a need to collect data efficiently and then use it to best effect.
56. Firstly, baseline data should be used to improve the quality of information in the UK Green House Gas Inventory to make it more relevant to Scottish agriculture, i.e. in considering the role of the biogenic methane cycle rather than enteric output (GWP*).
57. NFU Scotland also considers that there is a pragmatic need for universally adopted methodologies for the collection, analysis, application and sharing of data to inform decision making/actions at agricultural business level.
58. However, NFU Scotland has reservations on the potential for the further use of data and who might use it, such as the underpinning future support, or business to business, and business to consumer assurance. There is also a question around where baselining as a measurement tool crosses into 'conditionality' and links to continuous improvement.
59. NFU Scotland believes that a number of baselines, as appropriate, should be adopted by an agricultural business as a measure of good practice required for the receipt of future support payments.
60. These include carbon audits, soil analysis and associated nutrient management plans, forage and manure analysis, animal health and welfare plans, and continuing professional development.
61. However, baselining and data collection do not in themselves deliver the outcomes required. They are a means to an end. In that sense, data collection must not be regarded as an endpoint. It is how the information is then used and acted upon that is then key.
62. As a result, baseline data collection from 2025 should be an 'eligibility' requirement for ongoing direct income and transformational (capital) support.

Should agricultural businesses receiving support be required to undertake a level of baseline data collection?

63. NFU Scotland considers that agricultural businesses in receipt of direct (income) support from 2025 should be required to undertake a level of baseline data collection.
64. As part of future conditional support, baselining should become part of the eligibility requirements for both on-going financial support necessary to provide stability and for management and capital investment support aimed at changing practice to deliver desired outcomes.
65. Moreover, in the 2022 to 2024 period, all farms and crofts should be either encouraged to undertake such baselining through the National Test Programme or rewarded for having already done so – i.e. be incentivised to start such activities or be recognised as an early adopter/innovator.
66. The National Test Programme cannot be exclusively used to support those that have yet to act.
67. The collection of data at enterprise or business level must be smart and automated where possible to limit the burden for farm businesses and minimise the risk of error, thereby minimising the need for external assistance that would come at a cost.
68. Moreover, there is a need for a standardised approach to baselining in order that all those doing carbon audits, for example, are doing so consistently and transparently.
69. Baselining requirements must be user-friendly, both in collection and use.
70. This point is particularly important in the context of capacity. If baselining is overly onerous and requires significant input from consultants/advisers, there is a risk that insufficient will be undertaken and the support made available through the National Test Programme will simply pass straight through the agricultural business.

Should collected data be submitted for national collation?

71. Yes. In order to understand the performance of sectors or the Scottish agricultural industry as whole, the use of aggregate data will be as important as that of individual agricultural businesses. However, it is important that agricultural businesses own the data.

72. The data should be used to effectively to enable appropriate management and capital investment choices at business level, and therefore inform the distribution and use of support payments, as well as used to assess the effectiveness of policy in terms of overall delivery of outcomes.
73. Any nationally collected data must be presented in a way that preserves the anonymity of individual farm businesses.
74. Moreover, any aggregated data must be retained within Scottish agriculture for policy purposes. It must not be used commercially by any third party.

If yes, what information should be collated nationally?

75. As well as carbon and biodiversity audits at individual business level, to inform management choices, there is also a need to collect such information on a national scale. The metrics of what Scottish agriculture is achieving, both in terms of GHG emissions reductions and carbon sequestration, as well as for biodiversity, must be captured if the effectiveness of policy and the actions of sectors and businesses are to be fully understood. This could be extended to the data captured by animal health and welfare plans.
76. Data around soil analysis, slurry and forage analysis, and the development of nutrient management plans are more aligned to specific agricultural business and enterprise performance and so there is little value in capturing such data at a national level.

What are the next steps that can be taken to commit businesses to continuous improvement utilising the information presented by carbon, soil, biodiversity auditing?

77. Baselineing only provides a snapshot of the current situation. Therefore, it is vital that the likes of carbon, soil and biodiversity auditing is undertaken on an ongoing basis to verify that actions undertaken are yielding desired outcomes, or whether alternative approaches are required. However, ongoing auditing must not be used to determine 'success' or 'failure' in terms of delivering outcomes.

78. Caution must be taken on the scale used to assess improvements so that businesses are not penalised for short-term declines, despite putting in place good practices that will lead to long-term improvement, or when intended outcomes are not realised due to factors outwith the control of the farmer or crofter.
79. Continuous improvement can be incentivised through peer-to-peer learning and via the demonstration of best practice over through knowledge exchange activities (see the section on Knowledge and Skills).
80. Using the data collected to inform the likes of Climate Smart Farm Plans and Climate Smart Transformation activities would help drive businesses in the required direction.

How can baselining activities be incorporated into common business practices across all farm types?

81. NFU Scotland has been clear throughout its Steps to Change approach that a tiered payments structure, with a foundation of direct (conditional) income support is what is required from 2025 onwards. Building baselining requirements into the conditionality (eligibility) requirements of future income support, required to provide ongoing financial stability, would be relatively straightforward and go some way to meeting the stated Scottish Government intention of 50 per cent of support being conditional from 2025.

Capital Funding

82. NFU Scotland is absolutely clear in its assertion that while baselining is critical in informing decision making, however, it does not in itself deliver the changes in practice required to deliver the outcomes desired or required. NFU Scotland is equally clear that capital funding is going to be a key element of support for the transformational change required across Scottish agriculture and within certain sectors and individual businesses in particular.
83. NFU Scotland is of the view that capital funding can and must drive productivity and efficiency, thereby delivering both financial and environmental benefits simultaneously. It is vital that capital funding continues to be made available as part of the structure of future support – and be entirely complementary to direct (conditional) support.

84. While capital equipment for improving animal feeding and health and to improve performance of grassland or crops or the use of smart farming/precision farming technologies in the arable and livestock sectors would drive production efficiencies, such improvements to production would almost certainly also reduce GHG emissions intensity.
85. Capital funding must also be made available for investments that directly target emissions reductions, such as those relating to slurry storage, slurry application, anaerobic digestion and greenhouse gas capture, storage and re-use.
86. In addition, while the link between capital funding and biodiversity gains or wider environmental improvements is less obvious, NFU Scotland is of the opinion that particular capital items, such as those relating to slurry storage and application, could yield wider environmental benefits in areas such as water and air quality, as well as emissions reductions, and thereby contribute to biodiversity improvements. The links between climate actions to biodiversity consequences cannot be ignored.

Should capital funding be limited to only providing support for capital items that have a clear link to reducing greenhouse gas emissions? If not, why not?

87. No. NFU Scotland is clear that, while much of the capital investment that would drive productivity gains and therefore enable reductions in GHG emissions, there must not be an exclusive focus on reducing such emissions. Other capital investments that would have demonstrable positive impacts for both food production (and business performance) and biodiversity should not be ruled out or ignored.
88. For example, in the intensive livestock sectors, investment in tackling water and air quality issues is required alongside the need to manage and reduce emissions. In horticulture and vegetable production, mechanisation to overcome labour shortage issues may be vital to retaining and enhancing the economic value of sectors that punch well above their weight in terms of their contribution to Scotland's food and drink sectors.

89. Moreover, the marginal gains in terms of reduced emissions for more extensive hill and upland livestock systems must not be cause to exclude the required investment to bring about improved biodiversity performance, through grazing and habitats management, etc. It is too blunt and overly simplistic to limit capital funding to climate objectives only.

What role should match funding have in any capital funding?

90. NFU Scotland is clear that future capital grant funding must be on a 50 per cent basis across all farm sizes and types, including crofting business. It is important that both the agricultural business and the Scottish Government make the financial commitment equally. More importantly, it is what the funding would support rather than the funding (grant) level per se.

91. Therefore, NFU Scotland supports the notion of match funding at 50 per cent.

92. However, as a caveat, NFU Scotland's also believes that where capital investment is required to only bring about an environmental benefit (emissions reductions), without any benefit in terms of enterprise or business performance, then the grant rate should be significantly higher.

What capital funding should be provided to the sector to assist in transformational change, particularly given that in many instances the support called for was directly related productivity or efficiency, that should improve financial returns of the business concerned?

93. NFU Scotland considers that capital funding should only be provided to address the obvious market failures that hinder Scottish agriculture in delivering the Scottish Government's desired policy outcomes. Many capital items will improve productivity and/or efficiency and will also clearly deliver outputs and policy outcomes.

94. Without funding, and in the face of ever tighter and volatile margins across all sectors, the required investment by all sectors of Scottish agriculture is lagging behind the need to drive climate and biodiversity actions. As a result, it is the role of government to intervene if public goods are to be secured as part of a sustainable agricultural and food production system.

95. Capital funding can increase uptake of appropriate actions and largely remove the risks for many businesses, with the potential to decrease costs as uptake increases and to 'normalise' any changes in practice resulting from this capital investment. By requiring match-funding, the Scottish Government can fund the delivery of policy outcomes, while agricultural businesses are encouraged to invest in business improvements.
96. That said, NFU Scotland considers that major review of the Sustainable Agricultural Capital Grant Scheme (SACGS) is required if effective investment - by farmer/crofter and Scottish Government – is to realise the outcomes required in terms of food production, climate and biodiversity gains.

Biodiversity

97. NFU Scotland is clear that there is a need to address biodiversity issues alongside tackling climate change. The two are inextricably linked.
98. While a range of CAP schemes including Greening under Pillar 1 and Agri-Environment Climate Scheme (AECS) under Pillar 2, as well as the backstop of many cross-compliance and regulatory requirements, have offered some support for positive biodiversity management, it is also true that too many farms and crofts have been either marginalised or deterred from mainstreaming biodiversity actions as part of their agricultural management. That must change and can do so through a new approach to future support.
99. As with carbon audits, it is vital that baselining environmental audits are put in place sooner rather than later. This could be a valuable tool if integrated with broader conditionality requirements to ensure all farmers and crofters consider biodiversity within their management, potentially as part of a whole farm plan.
100. NFU Scotland sees merit in developing a future support payments structure that has direct links to delivering on biodiversity outcomes, including water quality and reducing diffuse pollution, appropriate grazing management, soil health, creation of connected field margin corridors, and agro-forestry.

101. However, recognition and flexibility must be afforded in circumstances where there are potential trade-offs between GHG emission measures conflicting with improving biodiversity, such as where a focus on energy crops or more intensive and efficient grassland management may have the potential to impact on biodiversity. It will be important to take account of consequences across the whole range of outcomes under consideration and find a balance at business and industry level.
102. That point highlights the need to allow all farms and crofts to ‘play to their strengths’ while ‘working on their weaknesses’. In other words, all agricultural businesses cannot be expected to deliver on food, climate and biodiversity goals equally – but they can all make their respective and relative contribution to each.
103. NFU Scotland also sees merit in the development of a whole farm approach, similar to the LEAF Marque assurance scheme, as part of the architecture of future support to deliver biodiversity improvements and wider environmental benefits as an integral part of viable agricultural enterprises. Agri-environment actions must no longer be viewed through the lens of ‘additional cost’ or ‘income foregone’ but as part of sustainable and profitable agricultural businesses.
104. In addition to encouraging positive environmental management, there must also be complementary actions by Scottish Government, usually via NatureScot, to ensure ‘conservation’ is not impeded by excessive ‘protection’. Many of the species that are reliant on active agricultural management are also exposed to often uncontrolled predation by other species. A much more coherent, balanced and managed approach is required if biodiversity is to flourish.

Should all farm and crofting businesses be incentivised to undertake actions which enhance biodiversity?

105. As per the comments above, NFU Scotland is firmly of the opinion that all farm and crofting businesses should be incentivised to undertake actions which enhance biodiversity. The key word is ‘incentivised’. While there should be the backstop of environmental regulation and cross-compliance in relation to payments to safeguard biodiversity and other environmental attributes, for enhancement there should be additional reward.

106. NFU Scotland does see merit, as per Steps to Change, in requiring a greater degree of conditionality to deliver for biodiversity through support payments. However, that must not be at the cost of the agricultural business but in terms of allowing each business scope to manage habitats and wildlife in complementary fashion to the agricultural activities of the unit.
107. Biodiversity should be seen as a product of land management, rather than vice versa. As a result, biodiversity outcomes are rarely achieved through prescription. If biodiversity is to be enhanced, it needs to be a reflection of the positive land management that is afforded by agricultural activity – not least grazing management of diverse grasslands and forage in the livestock context and field margins and boundaries, buffer strips and rotations in the arable sector.
108. Future (non-competitive) support must incentivise practices that deliver the biodiversity outcomes associated with different agricultural systems – recognising and rewarding good biodiversity practice. In that sense, the value of biodiversity auditing will become clear.
109. In addition, additional (competitive) support must also be made available where additional management or intervention is required for target species and habitats – in order to offset either the additional costs or income foregone. Moreover, and breaking away from the traditional funding approach, if farming and crofting businesses are to be incentivised then a clear incentive (over and above income foregone or additional cost) must be attached.

What actions would be required by the farming and crofting sectors to deliver a significant increase in biodiversity and wider-environmental benefits to address the biodiversity crisis?

110. NFU Scotland considers that degree of agri-environmental management on all agricultural land, regardless of quality and/or use, should be incentivised and normalised. Current Greening measures derived from blunt EU requirements and which do not work for Scottish circumstances should be adapted and developed to become conditions of direct support payments (conditionality).

111. However, it is equally important that trust and flexibility are built into these requirements through adaptive governance. They should focus on delivering biodiversity outcomes, rather than prescriptive practices that can be audited and policed with ease but may deliver little in the way of desired outcomes.
112. In that vein, measures should be regionally appropriate to reflect differing circumstances and it will be vital that a network of appropriate and effective advisory services is in place to support agricultural businesses' plans to increase biodiversity. Early support and engagement can avoid the unintended consequences of inappropriate (but potentially well intentioned) habitat creation and management.
113. It is also very important that the requirement to increase biodiversity is fairly shared across all farm types, sectors and regions of Scotland. Just as every agricultural business will be expected to make a contribution to both food production and climate change ambitions, so each must make a relative and appropriate contribution to biodiversity.

Just Transition

114. NFU Scotland is resolute in its view that just as there is a need for Scottish agriculture to fully play its part in meeting targets around climate change, there is also a necessity for this to be achieved through a Just Transition.
115. Moreover, as the Climate Change (Emission Reduction Targets) (Scotland) Act has increased the level of ambition and provides a building block for action across the economy, with a headline target of net-zero emissions by 2045 captured most, it is equally important to highlight the inclusion of a set of just transition principles in the final Act. As farmers and crofters play their part in reducing carbon emissions and enhancing biodiversity, this must not be to the detriment of the economic or financial viability of the agricultural business.

116. Moreover, there cannot be any adverse impact on the socio-economic benefits that are derived from active farming and crofting, including upstream and downstream economic multipliers that create and retain employment and incomes that sustain rural communities, thereby safeguarding rural populations and the critical mass required to underpin rural infrastructures and services.
117. In short, a Just Transition for Scottish agriculture means putting in place measures to improve efficiencies and being more innovative, including through diversification of activities.
118. It also means maintaining sustainable food production, to provide the critical mass necessary to safeguard the processing sectors and supply chains directly linked to Scottish agriculture, and retaining a sufficient level of direct income support, albeit more aligned to activity, to provide the financial stability that is essential to future of Scottish agriculture but with conditionality attached.
119. Another element of a Just Transition will be the importance of skills and knowledge transfer to provide the capability, opportunity and motivation to deliver change. Much of the outputs that will deliver productivity, positive climate change and biodiversity outcomes will depend on a knowledgeable, skilled, and capable workforce on the land.
120. Critical to these outputs and outcomes is the need to attract and retain people who have the right knowledge, skills and motivation. As a result, there will need to be clear strategies on attracting, training and upskilling, which will require proactive collaboration between the agricultural and land use sector, the education system, the supply chain and Scottish Government.
121. As farming systems evolve, the demands for efficiency, climate change mitigation and enhanced biodiversity will demand high quality people working in Scottish agriculture. This will be enhanced by an education system that places a higher priority on food and farming and supply chains that value a fairer distribution of margin share.

122. In addition, integrated land use must form part of a Just Transition. However, the pursuit of integrated land use (including woodlands on agricultural land) must be managed with significant care – not least to ensure the financial benefits of land-use change are retained in land-based (predominantly agricultural) businesses and within Scotland’s rural economy. A Just Transition must recognise the complexity of issues of land use change and the potential for trade-offs.
123. These particular issues become more complicated within Scottish agriculture’s tenanted sector where land use change could potentially be imposed on tenants who might not then be in receipt of any of the financial benefits that might be available.

What do you see as the main opportunities for farmers and land managers in a Just Transition to a net zero economy?

124. From an agricultural and supply chain perspective, the true test of a Just Transition will be whether food production and its supply will be mainstreamed as a vital component of Scotland’s economy and social wellbeing or whether it becomes ever more marginalised. In that sense, there is a clear opportunity for the value of sustainable domestic food production and supply to be properly understood and appreciated.
125. There is an opportunity to demonstrate the true economic, environmental and social worth of domestic food production, and relate that to all the many attributes that active farming and crofting deliver.
126. In turn, that should be reflected in market returns that provide a consistent and fair margin as the return on investment required at farm business level to adequately fund ongoing management and investment to deliver what Scotland expects – the highest quality food produced to the highest standards with rapidly reducing GHG emissions and increasing farm-based carbon sequestration and flourishing habitats and wildlife.
127. However, unless policy and measures are put in place that puts farming and crofting at the forefront of the opportunities from change, then Scottish Government will fail in meeting its obligations around a Just Transition.
128. Shorter supply chains and more opportunities for local supply of higher value markets are examples of opportunity yet to be fully realised. However, these also demand action from Scottish Government and others.

129. Likewise, public procurement is a policy lever that can increase the consumption of environmentally sustainable Scottish produce and could present an opportunity for Scottish agriculture, but again there is a role for Scottish Government and others to help enable such change.

What do you see as the main barriers for farmers, crofters and land managers in a Just Transition to a net zero economy?

130. NFU Scotland considers that there are several barriers to Scottish agriculture realising a Just Transition.
131. The comments above reflect the need for Scottish Government action. In other words, retailer and processor pressure on farmgate prices, lower environmental and animal health and welfare standards on some food imports (possibly to be exacerbated by new Free Trade Agreements, not least with those with markedly different production systems), a lack of processing facilities and capacity across many of Scotland's agricultural sectors, and values based on carbon trading speculation are just some of the issues that need to be addressed if a Just Transition is to be a reality.

Sequestration

132. Tackling climate change clearly involves reducing emissions. However, NFU Scotland believes that the focus of policy and associated support should not be exclusively devoted to emissions alone. Food production and agricultural land use revolve around biological processes that will inevitably generate emissions of GHGs.
133. As policy must incentivise actions to minimise emissions while agricultural businesses remain viable, so there must also be a focus on sequestration within the context of agricultural land use and its management.
134. Given Scotland's predominance of grazed grasslands, organic soils and peatlands, as well as the scope to integrate farm woodlands and agro-forestry into the agricultural landscape without compromise, the importance of carbon sequestration by Scottish agriculture must not be underplayed. On the contrary, it must be recognised, rewarded and further incentivised.
135. In that context, the binary policy choice between forestry expansion over food production must be overhauled as a matter of urgency.

136. NFU Scotland has long acknowledged the importance of planting the right types of trees in the right environment so that, together with restoration and management of existing woodland, farm woodlands can deliver the widest range of benefits.
137. However, given farming and crofting's unique role in delivering on the interdependent goals relating to food, climate and biodiversity, NFU Scotland is fundamentally opposed to wholesale land use change from productive agricultural land to commercial forestry. More stringent safeguards must be put in place to prevent further erosion of the very limited asset of productive farmland.
138. In that context, NFU Scotland considers that a much greater emphasis must be devoted to policy and practice in relation to sequestration associated with active and managed grazing and the organic content of productive soils across all sectors of Scottish agriculture.
139. The structure and focus of future support must better recognise the role that agricultural land use can play in sequestering significant amounts of carbon without compromising agricultural activity, sustainability and production levels and which also delivers food and biodiversity benefits at the same time.
140. Increasing soil carbon sequestration, including through grazed grasslands, should be actively promoted via future support. This would help meet climate change goals and would lead to wider ecosystem and biodiversity enhancements by the provision of suitable habitats and soil improvements, while reducing soil erosion and nutrient losses.

How best can land use change be encouraged on the scale required for Scottish Government to meet its climate change targets?

141. As NFU Scotland clearly highlights in the comments above, meeting increasing sequestration of carbon is not simply matter of land use change – it is about land use. The framing of this question is flawed from the outset. It is misleading to infer that land use change on a significant scale is the only route to meeting climate change (sequestration) targets.
142. NFU Scotland recognises that integrated farm woodlands, hedges and agro-forestry can and should play a role in capturing carbon at agricultural businesses level and in aggregate.

143. However, the suggestion that land use change on a significant scale, via a binary choice between farming and forestry, is only route to sequestration goals is simply wrong.
144. What is required is, as with other aspects of a Just Transition, the provision of options for each agricultural business to make a meaningful contribution to sequestration that is appropriate to and complementary with their other roles in producing food and delivering for biodiversity.
145. This does not necessitate wholesale land use change. It does mean, however, recognising the role of active agricultural management in increasing the storage of carbon through soils and grazing management, added to farm woodland creation (including hedges and agro-forestry options) and peatland restoration.
146. In that context, more work needs to be undertaken to evaluate the role of active grazing and crop production management, on annual and longer bases, to be able to properly compare the sequestration metrics of different land uses – as well as the added benefits of food production and biodiversity from continued agricultural land use.

Productivity

147. The potential to reduce GHG emissions through productivity improvements is evident and was echoed by all of the FLGs. The importance of improving efficiency in productivity across all sectors in order to ensure the sustainability of the industry, protecting rural jobs, and also to meet net zero climate targets will be critical. Driving productivity gains is the primary approach that would ensure a Just Transition.
148. In addition, Scottish agricultural businesses need to be resilient to meet the challenges of reducing overall emissions and enhancing biodiversity. Measures will also be needed to enable business resilience and productivity.
149. NFU Scotland considers that farmers and crofters can use inputs more effectively to boost productivity whilst reducing emissions, but many will need to be enabled to do so. Optimising input efficiency relies on understanding circumstances.

150. It will be vital that all agricultural businesses undertake carbon audits, soil analysis, forage and manure/slurry analysis, where appropriate. However, it is equally critical that such information is gathered and utilised sooner rather than later.
151. Making such actions 'conditional' from 2025 lacks the urgency required. There is a need to incentivise such actions in the 2022 to 2024 period and that must be the primary function of the National Test Programme.
152. Across all livestock sectors, the role of breeding decisions and genetic potential in reducing emissions and improving productivity must also be mainstreamed via policy support.
153. Funding which would target data recording and use for the improvement of overall productivity - through fertility, health, welfare, rearing and finishing - must be made available both in the 2022 to 2024 space, through incentives and advice, and from 2025 onwards through conditional support or eligibility requirements.
154. Across all sectors, targeted support should be made available to encourage farm businesses to undertake planning around feed, breeding, livestock health, soil health, grassland management and nutrient management.
155. In turn, that should inform changes in management practices and/or investment decisions in order to then deliver on the outcomes required. Again, that must be incentivised in the short term transition period (2022-2024) via the National Test Programme before any move to make it part of conditional support from 2025.

Would incentives for farm plans specifically targeting flock/herd health, soil health, & crop health (for example) demonstrate real improvements in productivity over time?

156. As with baselining, NFU Scotland believes that incentives around flock/herd health, soil health and crop health are vital in the 2022 to 2024 period to kick-start action through better insight – along with the likes of carbon and biodiversity audits. Over time, continuous data collection would expose whether real improvements have come about.

157. However, as with all baselining, the actions of data collection and planning do not in themselves deliver the outcome (improvements) required. The pursuit of improvement relies on new approaches to enterprise management and appropriate investment. Even marginal changes can yield benefits that make a difference. Farm plans, etc. are a necessary but not sufficient requirement for improvement. It is about how such farm plans are used to best effect.

Should future support be dependent on demonstration of improvements in productivity levels on farm? If so how would this be measured?

158. No. Future support should not be dependent on demonstration of improvements in productivity levels on farm. First, as alluded to in the second part of this question, measurement would be fraught with inconsistency – both within an agricultural business and between agricultural businesses. Second, and in the same vein, there are a significant number of factors outwith the direct control of either farmer or crofter that could have significant implications on the attainment of productivity gains.

159. The correct approach would be to support agricultural businesses in their pursuit of productivity gains, through appropriate capital grant and management payments (together with a comprehensive advisory service), rather than make payments conditional on results achieved.

160. Both approaches are conditional. However, NFU Scotland is clear that supporting the right actions through conditional payments is what will bring about the scale of engagement (and delivery) required.

Research & Development

161. The role of research and development in enabling agricultural businesses to deliver on sustainable food production and climate ambitions cannot be overstated, nor can be the importance of improving knowledge transfer and ensuring research outcomes are applied. Technological change and its application are both required to bring about the step-change required.

162. NFU Scotland considers that the key areas for properly funded research, through the world-leading Scottish Environment, Food and Agriculture Research Institutes (SEFARI), must include soil, grass and crop carbon measurements, grassland management best practice, on-farm carbon capture and storage technologies, carbon audit systems, whole supply chain emissions analysis, livestock breeding and genetics, livestock feed additives and methane inhibitors, plant and crop breeding and genetics, crop nutrient use efficiency (including nitrogen inhibitors and slow-release fertilisers), and alternative feed proteins.

163. In addition, the Scottish Government must both allow and encourage the development and use of gene editing techniques to accelerate breeding programmes aimed at driving more efficient production systems that could yield significant environmental gains.

In light of ongoing research activities supported by the Scottish Government and the 2022-2027 research strategy, are additional measures needed to ensure research is supporting the agriculture sector to meet its climate change targets? (If yes, please specify)

164. Yes. As made clear above, ongoing and appropriate (and practically transferable) research and development will be key to whether Scottish agriculture can deliver on all three policy fronts. While not exhaustive, the list above illustrates the types of research required and their roll out on a practical and cost-effective scale.

165. These include soil, grass and crop carbon measurements, grassland management best practice, on-farm carbon capture and storage technologies, carbon audit systems, whole supply chain emissions analysis, livestock breeding and genetics, livestock feed additives and methane inhibitors, plant and crop breeding and genetics, crop nutrient use efficiency (including nitrogen inhibitors and slow-release fertilisers), and alternative feed proteins.

166. In addition, the Scottish Government must enable the development and use of gene editing techniques to accelerate breeding programmes aimed at driving more efficient production systems that could yield significant environmental gains.

167. There should also be greater collaboration between research institutes (SEFARI) and Scotland's farmers and crofters. Research needs to be nearer farm business level. It must be meaningful and be informed by farmers' and crofters' needs as they change over time to reduce emissions and enhance biodiversity. Research findings must also be filtered out to land managers using integrated and effective knowledge exchange and innovation activities – see the comments and responses in relation to Knowledge and Skills.

Knowledge & Skills

168. Achieving the required outcomes will be dependent on a number of factors – all of which are highlighted in this consultation and which NFU Scotland has commented on in this response.

169. Knowledge and skills are particular components that can draw other components together to make them complementary and effective, and in that respect become critical. For example, improvements to productivity will only be optimised through a complementary improvement in knowledge and skills. Knowledge exchange, training and innovation are necessary to maximise the opportunities.

170. Building the knowledge and skills base of Scottish agriculture will be essential to agricultural business innovation where end user needs are better understood and prioritised to then enable the delivery of desired outcomes.

171. Developing people must not be an after thought or an add on if success is the attained. It must be front and centre in the rollout of new agricultural policy in order that expenditure and investment can be both channelled to the right actions through those with the knowledge, skills and experience to deliver the outcomes required.

172. NFU Scotland has been concerned for some time that the most constraining factors facing Scottish agriculture may well revolve around people and the capabilities of all those with a role in farming and crofting.

173. As a consequence, as investment is made in on-farm actions and R&D, it is equally important that resources are dedicated to a range of activities aimed at developing people.

174. These should include appropriate training to existing employees, apprenticeship programmes to enable businesses to take on apprentices, trainees and new employees, support for Continuous Professional/Personal Development (CPD), and peer-to-peer learning and knowledge exchange to deliver tangible and lasting change through monitor farms, etc.
175. NFU Scotland acknowledges the role played to date of Scottish Government funded programmes such as Farming for a Better Climate, the Rural Innovation Support Service (RISS), the Farm Advisory Service (FAS) and the Rural Leadership Programme.
176. However, there is now a need to redefine their functions and develop the reach of these initiatives to make them as effective as they can be in instigating and then enabling change.

What importance do you attach to knowledge exchange, skills development and innovation in business?

177. In line with the comments above, NFU Scotland places significant importance on the roles of knowledge exchange, skills development and innovation in business. A shift to a new (conditional) support package based on revised policy objectives, and backed by appropriate research and development, will count for little or nothing unless there is also a significant investment in people.

What form should tailored, targeted action take to help businesses succeed?

178. Tailored and targeted action, as noted above, must include a range of available activities including appropriate training to existing employees, apprenticeship programmes to enable businesses to take on apprentices, trainees and new employees, support for Continuous Professional/Personal Development (CPD), and peer-to-peer learning and knowledge exchange to deliver tangible and lasting change through monitor farms, etc.
179. The use of smaller peer groups that are comfortable in their exchange of knowledge and sharing of business sensitive information has been found to be very effective. Benchmarking groups should be encouraged through funding and facilitation. Monitor Farms Networks are also an effective way of increasing knowledge and skills as they are led by farmers themselves, rather than advisors.

Should continuing professional development be mandatory for businesses receiving public support funding?

180. No. As with responses to the sections on baselining and productivity (farm plans), CPD in itself will not deliver the outcomes in itself. It can and will enable better decision making and improved insight around agricultural management and its role in emissions reductions and nature enhancement.
181. The correct approach would be to support the development of individuals that make up agricultural businesses. NFU Scotland is clear that supporting personal development should be complementary to actions derived through conditional payments and capital investment to bring about effective change at the scale of engagement (and delivery) required.

Supply Chains

182. It is evident to NFU Scotland that the role of Scottish agriculture in realising its obligations in delivering against food, climate and biodiversity goals could be impeded unless there are also complementary actions within the supply chain.
183. An exclusive focus on the primary producer's side of the farmgate would almost certainly result in overall goals not being achieved. The supply chain has a role and a responsibility in also ensuring Scottish agriculture can deliver by supporting cost-effective improvements by agricultural businesses.
184. The primary role of most farming businesses is to produce for the food supply chain. The challenge of reducing emissions and enhancing biodiversity is a challenge that needs to be recognised by the whole food supply chain, not just by primary producers, and actions need to be identified that will help whole supply chains meet these challenges.
185. As policy moves towards more conditional support from 2025, together with the existence of Quality Assurance across all sectors and the rapidly environmental and social increasing demands of processors and retailers, NFU Scotland is extremely concerned that the primary producer will carry almost all the environmental responsibility and financial cost. That cannot happen if Scottish agriculture is to fulfil its unique role in delivering the trio of outcomes required.

186. Overburdening the primary producer, with excessive compliance unmatched by market returns, risks the Just Transition required and threatens to rapidly wind down domestic production. The consequences would stretch well beyond the off-shoring of emissions into economic, environmental social declines across rural Scotland.
187. Therefore, NFU Scotland advocates an enhanced role for co-operatives, producer organisations and greater collaboration to deliver greater efficiencies and collaboration through the supply chain. More investment and partnership working to bring about vertical integration in the supply chain would yield both financial and environmental gains.
188. As part of this, there is an ongoing need for Scottish Government in the processing sector. Support delivered via a successor to the Food Processing, Marketing and Co-operation (FPMC) scheme must halt the over-centralisation of processing capacity across many agricultural sectors – the fragility of which has been exposed over recent times. This would also tie into the agenda around local food, the Good Food Nation and public procurement, as well as issues such as the welfare of animals in transit.
189. NFU Scotland also considers that the existing and growing ‘green credentials’ of Scottish agriculture can and must be used more effectively as a marketing tool – at home and abroad. Without adding bureaucracy or cost to the primary producer, food from Scotland should be readily and easily identified as being produced sustainably by consumers.

How can the green credentials of Scottish produce be further developed and enhanced to provide reassurance to both businesses and consumers?

190. There are existing mechanisms that can be used to demonstrate the green credentials of Scottish agriculture and its produce. For example, as cited earlier, the LEAF Marque standard, and the Scottish Quality Cereals (SQC) Farm Assurance Scheme. Similarly, quality assurance requirements under both Red Tractor (milk) and Quality Meat Scotland (QMS) have become environmentally exacting and it is important that consumers (and processors and retailers) appreciate the environmental standards and improvements that are being attained and gained by Scotland’s farmers and crofters.

191. Rather than create a new requirement, these credible and robust schemes could be used to provide reassurance to both businesses and consumers. The aggregate data from all quality assurance across Scotland could be better utilised to demonstrate the overall environmental performance of Scottish agriculture.

192. For example, the percentage area of cropped land that meets the LEAF Marque standard or the environmental requirements of SQC (e.g. Integrated Pest Management). By communicating this information to key markets and to the public, the green credentials of Scotland's sustainable supply chains would be transparent to all.

Should farm assurance be linked to requirements for future support?

193. No. Membership of quality assurance schemes should not form part of the eligibility requirements for future support. It is essentially an eligibility requirement to access the market – rather than attract a premium – and is almost the norm as a consequence.

194. Moreover, NFU Scotland is already concerned that the supply chain is demanding environmental (and other) standards over and above what might be sustainable by individual businesses. Any further 'assurance inflation' without a reciprocal rise in market returns could be extremely damaging to the sustainability of food production in Scotland.

How can ongoing data capture and utilisation be enhanced on Scottish farms and crofts?

195. Scotland's farmers and crofters already capture a significant amount of data, for a variety of reasons, and will be expected to capture more through baselining, etc. The essential thing is to minimise the effort in collecting data and maximise its use – i.e. collect the right data simply and use it maximum and full effect.

196. In addition to how data is captured simply, without being onerous, there are issues about how best this can be used at agricultural business or enterprise level. This links to comments around baselining, productivity, research and development, and knowledge and skills. The common denominator between them all is data.

197. Scotland's future (conditional) agricultural support package must be geared to using data efficiently and effectively to ensure that outcomes are delivered.
198. Future (conditional) support will carry a major responsibility - to enable every farm and croft, regardless of size, type or location, to deliver the outcomes required while also securing their own sustainable and profitable future.