STEPS TO CHANGE: A New Agricultural Policy For Scotland
Scottish farmers and crofters are the bedrock of Scotland’s booming food and drinks industry, which is a prime mover in our country’s economic prosperity. At the same time, agricultural businesses are key to maintaining and enhancing Scotland’s unique environment and landscapes.

Leaving the European Union presents the first opportunity in over 40 years to overhaul and rebalance Scottish agricultural policy.

NFU Scotland is seeking a bold Scottish agricultural policy which will make Scottish agriculture productive, innovative and, above all, profitable, whilst delivering a wide range of public benefits that are increasingly expected as the co-products of active farming and crofting.

For farming and crofting to prosper, a new agricultural policy must meet Scottish agriculture’s unique needs – providing businesses with the tools to add value, strengthen their position in the supply chain and upskill to become less reliant on support in the longer term.

In the face of competing demands for limited public funds, and to better meet public expectations with the wider needs of society, the new agricultural policy must:

- Be geared towards active and sustainable agriculture and encourage positive change.
- Incentivise farm businesses to be dynamic, resilient and able to adapt to new opportunities – whilst also delivering good environmental management and improved productivity.
- Provide financial stability, but only rewarding the risk and decision taker.
- Underpin the social and environmental contribution of farming and crofting, as well as the role they play in the growing food and drinks sector and Scotland’s wider economy.

Change is inevitable, but change must be managed and not chaotic. Wide-reaching consultation with NFU Scotland’s 8,500 members and other key agricultural and rural stakeholders agree with these principles.

These are the STEPS TO CHANGE which NFU Scotland believes must be taken as the UK moves out of the shadow of the Common Agricultural Policy.
Three Components of Future Support

Under NFU Scotland’s proposals, the three components would work together to enable Scottish agriculture to be more competitive, resilient and profitable – forming the essential first link of a dynamic and fair supply chain while also providing essential public benefits.

New and practical options would meet the needs of emerging and developing farm businesses, with an overarching objective running throughout the policy to make all farms and crofts across Scotland more physically and financially robust.

Financial stability will remain a vital component particularly in the short-to-medium term. But rather than incentivising inertia, a new approach to financial stability would be built on agricultural activity, rather than the simple occupation of land.

Efficient food production and the delivery of public benefits must be at the forefront of any new agricultural policy. The financial stability component must be complemented by a suite of productivity and environmental measures which offer real, practical choices to every farm and croft.

Sustainable agricultural businesses are needed if desired economic, environmental and social benefits are to be delivered in the long run.

Environmental Measures
- Climate change
- Water quality
- Biodiversity
- Livestock

Productivity Measures
- Crops
- People

Key principles
- Not mutually exclusive
- All agricultural businesses can draw down support from the range of measures across all three components
- Non-competitive – levels of support are linked to unit size
- Measures are developed to suit the full range of farming systems that make up Scottish agriculture
- Measures include management and capital options
Given the scale and nature of the changes ahead, farmers and crofters will need to be given the time and the tools to adapt and to become more resilient. That means enabling the transition, over a number of years, from the current CAP system of support to a new Scottish agricultural policy.

During this period, the financial stability, productivity and environmental measures proposed by NFU Scotland would always work in harmony – but over time, the weighting of financial stability support must shift to productivity and environmental measures.

That rate of transition should be dependent upon emerging trade deals and improvements in the food and drink supply chain. Better and stable market returns, then faster transition. Poorer or volatile market returns, then transition is paused.

The delivery of the three components would be based on ‘tiers’, rather than the out-dated ‘pillars’ of the CAP.

**Financial stability payments**
- Provide broad foundations
- Subject to pragmatic cross-compliance requirements

**Non-competitive productivity and environmental measures**
- Comprehensive list of non-competitive productivity and environmental measures for every active farm and croft in Scotland.
- Tailored to reflect varying farming systems to deliver the right productivity gains and environmental benefits in the right places

**Competitive productivity and environmental measures**
- Available to those that want to further invest or become more competitive
- Further support for even more positive environmental outcomes
Scotland’s farmers and crofters play a vital role in delivering a wide range of environmental benefits and public goods. With over 70% of Scotland’s land mass under agricultural management, farmers and crofters are responsible for the stewardship of many aspects of Scotland’s renowned environment.

A new Scottish agricultural policy can ensure that farmers and crofters continue to deliver for Scotland’s environment and enhance it further. Active agriculture is best placed to manage land for environmental benefit. Viable agricultural businesses and food production need not run contrary to achieving positive environmental outcomes and public goods.

New environmental measures should seek to deliver primarily for climate change, water quality and biodiversity, but also embrace habitats, air quality and landscape character in the process, as well as natural flood management, cultural heritage, and public access and education.

For the successful delivery of environmental objectives, the agricultural perspective needs to be at the heart of all measures, from design to implementation.

The characteristics of a successful environmental measures include clear, straightforward on-farm implementation, clarity on how actions contribute to objectives and which are complementary to the agricultural business.

Future environmental measures should be voluntary and accessible to all farm types, with support for the different skills and objectives farmers and crofters.

Measures should be cost-effective to gain the best value for money from public funds, as well as the endeavours of farmers and crofters. As well as the practicality of measures, this will also rely on adequate resources and realistic payment rates, as getting the best value for money also means appropriate incentives for farmers and crofters.

Current agri-environment payments are based on income foregone and do not always provide sufficient incentive compared to the risk of participation. Payments do not cover the long term land use change often required to encourage participation. Interpretation and implementation of income foregone must be addressed for future environmental measures.

Straightforward guidance is also essential, making it clear why actions are to be undertaken to deliver environmental objectives. Appropriate record keeping and proportionate compliance checks will also be required. Equally, measures must be responsive to changing agricultural practice - over time and for different farm types.

Recognition of the time it can take to achieve some environmental outcomes, especially those relating to extensive grazing systems or peatland restoration, needs to be in-built. Moving from prescriptive five-year multi-annual agreements under the CAP, there would be merit in affording longer term commitments to get to the desired outcomes, as well as annual agreements for ‘rotational’ agri-environment measures such as over-wintered stubbles.

There is also a need for flexibility within measures and payments to account for particular land holdings and their associated agricultural management practices, such as common grazings in the context of crofting.

Prescribing calendar dates does not serve environmental management well. Any dates associated with environmental measures should fit with farming and crofting practices, providing flexibility to fit with the farming year and its local variations.
Environmental measures need to be relevant and appropriate to different locations across Scotland and its diverse agricultural landscapes. A national delivery framework could ensure consistency and enable delivery of national priorities in relation to climate change, water quality and biodiversity, etc. Practical delivery needs to be based on local priorities which reflect local agricultural practices.

Enhancing the environment should not be at odds to improving agricultural productivity. Environmental measures should also aim to enable more efficient use of inputs and improve resource efficiency, whilst maintaining or improving production outputs and yields.

Future environmental schemes should consist of a mix of incentivised measures for all farms and crofts to have practical options to deliver on climate change, water quality and biodiversity, or any combination thereof. In addition, science, research and innovation have an important role to improve resource use and reduce any adverse environmental impacts.

Possible environmental measures are listed below. These lists are far from exhaustive and not necessarily in order of priority.

**Annual environmental measures could include**
- Fallow land management
- Cover and catch crops
- Overwintered stubbles
- Bee/pollinator friendly cropping
- Hosting species (notably geese and sea eagles)
- Watercourse and nutrient management
- Flood risk management and soil erosion
- Hedge and dyke maintenance and repair
- Ditch management
- Soil health and nutrient management plans
- Carbon audits
- Soil sampling and targeted input use
- Integrated Pest Management (IPM)
- Enhancement of soil organic matter
- Drainage improvements
- Carbon management – carbon sequestration, peatland management, etc.
- Farmland biodiversity options for arable land and grassland

**Multi-annual environmental measures could include**
- Pollen and nectar rich margins
- Winter feeding options for wildlife
- Low input grassland management
- Nitrogen-fixing crops and clover-rich grassland
- Protection of in field trees
- Management of the cultural and historic environment
- Moorland management, including peatland restoration and bracken control
- Management of designated sites, including SSSIs, SPAs and SACs
- Habitat creation and management
- Scrub and invasive species management
- Conservation grazing and away wintering
- Arable reversion
- Management of semi-natural and species rich grasslands
- Creation and management of wetlands
- Farm woodland management
If Scottish agriculture is to become less reliant on direct support, more profitable, deliver more public benefits and seize new market opportunities beyond Brexit, then increased productivity is a necessity.

A more competitive and more resilient, Scottish agriculture will result in improved farm incomes and, in turn, renewed and increased investment in the agricultural industry. Higher and more stable farm incomes and greater investment will mean that businesses are better placed to weather price volatility, manage costs and see better and fairer returns from the supply chain. This will also be to the benefit of the local and wider Scottish economy, with greater spending by Scottish agriculture upstream from the farmgate.

A more competitive and profitable agriculture industry would further attract investment in the processing components of the supply chain within Scotland. This will stimulate wider economic activity and generate more jobs and incomes downstream from the farmgate.

Increased productivity should not, however, be simply defined as increased production. Increased productivity is achieved through more effective use of inputs – either via more output per unit of input (i.e. a greater return on costs incurred) or via the same output but using less input (i.e. cost saving), or ideally a combination of both (i.e. more output from less input).

As improving productivity is largely about improved input use it will also deliver environmental benefits. Productivity measures are required to increase the viability and competitiveness of all sectors through

- investment in innovative agricultural practices and technology
- increased knowledge exchange
- improved technical and managerial skills
- greater uptake of risk management strategies
- better animal health and welfare
- more effective resource use
- positive environmental stewardship

A more supportive regulatory environment, that includes fiscal incentives and planning improvements, is also required. Allied to that is the need to ensure connectivity and infrastructure is capable of properly serving rural, and often remote, agricultural businesses across Scotland.

Increasing the productivity of Scottish agriculture will also depend on investment in research, development and innovation. Scotland can boast some of the best agricultural research institutions in the world, and R&D is essential to enabling the industry realise productivity gains through development of new practices, tools and technologies.

Equipping farmers and crofters with the right skills, training and knowledge is also crucial for potential productivity gains. So much of the current variance in farm business performance is down to people and management, rather than physical inputs. As part of that, good advice at the right time can be critical to an agricultural business making the most of new opportunities. Advisory services that provides in-depth and tailored advice when and where required is essential.

The most valuable investments may not be in the capital to deliver cutting-edge technology and practices. Identifying the needs of individual farmers and crofters, and those that work with them, is a vital step in realising increased productivity. It also means engaging with a new generation of individuals to ensure that farming and crofting become the career of choice.
Possible productivity measures are listed below. These lists are far from exhaustive and not necessarily in order of priority.

**Productivity measures for the livestock sectors could include**

- Data management systems for health and welfare, yield/weight gains, breeding and genetics
- Electronic identification and data capture equipment, with herd/flock management software
- New or refurbished housing systems, including fit-for-purpose handling facilities
- Health monitoring and disease eradication programmes
- Automated systems for milking, feeding, etc.
- Grassland and forage monitoring systems, for improved nutrient management and drainage
- Soil health and nutrient management plans
- Soil sampling and targeted input use
- Slurry and manure storage facilities and spreading equipment for better resource utilisation
- Fencing to improve grazing management and biosecurity
- Renewable energy, including biomass and anaerobic digestion, to reduce energy costs of housing, etc.

**Productivity measures for the cropping sectors could include**

- Precision farming technologies, including GPS software to aid sowing and the application of fertilisers and plant protection products
- Soil health and nutrient management plans
- Soil sampling and targeted input use
- Investment in minimum tillage equipment for higher yields and improved soil health
- Capital investments to improve energy/fuel efficiency
- Improved field drainage and increased organic matter
- Precision harvesting, picking and crop analysis technologies
- Automation of horticulture operations, such as weeding, harvesting, grading and packing
- Renewable energy, including biomass and anaerobic digestion, to reduce energy costs of crop drying machinery, etc.

**Productivity measures for people could include**

- Support for the production of business plans
- Support for succession planning
- Benchmarking – enhanced benchmarking across all enterprises
- Education and skills development for the agricultural workforce
- Continued personal development for the agricultural manager
- Business skills training - cost-control techniques, etc
- Technical skills Training
- Participation in an apprenticeship scheme
- Membership of quality assurance and health scheme
- Hosting of farm visits
- Membership of a co-operative or ‘Producer Organisation’
Financial Stability

All sectors of Scottish agriculture have experienced very real challenges over a number of years – often through a combination of poor and volatile market returns, rising costs, and shifting policy demands.

Lack of confidence in the sector has been undermined further by the uncertainties cast up in the wake of the UK’s decision to leave the EU, and the chaotic political process that has since taken over.

Not only is farming and crofting in Scotland inherently risky, due to a host of physical challenges, in an uncertain and unpredictable economic environment direct payments provide a vital safety net.

They are a stable source of income that is independent of market fluctuations, making a significant contribution to overall farm income of the vast majority of Scottish agricultural businesses – in turn helping those businesses to protect the environment and put money back in to the rural economy.

An element of financial stability will remain vital – at least through a lengthy transition phase beyond the current operation of the CAP within the UK. But financial stability payments must be properly targeted at active farmers and crofters.

To enable profitable farms and crofts in the future, a new system of delivering direct support for financial stability must:

- Reward the risk and decision-taker
- Move away from existing area-based payments to a new system based on eligible payment hectares
- Define eligibility by levels of agricultural activity
- Provide a baseline so that businesses are supported and incentivise to shift towards taking up complementing environmental and productivity measures
- Enhance payments with top-ups in more disadvantaged areas to reflect additional costs and poorer market returns, based on existing fragility markers
- Have scope for coupled support for vulnerable sectors whose socio-economic contribution is of major importance to Scotland

For every £1 of public investment Scottish agriculture returns £5.30 to the Scottish economy

Agriculture supports 75,000 businesses in the food and drink industry

85% of Scotland is defined as Less Favoured Area, and 43% is defined as High Nature Value

Agricultural support made up 66% of total income from farming in 2016
The Structure of Future Support

The UK will formally leave the EU in March 2019. The UK Government anticipates that it will agree an ‘implementation’ period for the whole country with the EU lasting for around another two years. The EU has stated a preference for the implantation period to end in December 2020.

Thereafter, the UK Government has proposed an ‘agricultural transition’ period in England, given the freedom to move away from the CAP. This is intended to give farmers time to prepare for new trading relationships and adjust to a new agricultural policy approach for England.

In similar vein, but not seeking the same policy outcomes, NFU Scotland considers it essential that a flexible agricultural policy transition period is also applied in Scotland which starts from the point at which the implementation period would end, i.e. when the application of the current CAP requirements would cease. This should run until at least 2027 – reflecting the next iteration of the CAP.

During this period, the financial stability, productivity and environmental measures proposed by NFU Scotland would always work in harmony, but the emphasis would shift over time.

More importantly, the delivery of the three components would be based on ‘tiers’, rather than the separate, out-dated ‘pillars’ of the CAP. The financial stability payments would provide broad foundations and would be subject to pragmatic cross-compliance requirements.

Building on these foundations, the second ‘tier’ would comprise a comprehensive list of non-competitive productivity and environmental measures – ensuring pragmatic choices for every active farm and croft in Scotland. These would be tailored to reflect varying farming systems in order to deliver the right productivity gains and environmental benefits in the right places.

Over and above that, a third ‘tier’ of competitive productivity and environmental measures would be available to those that wanted to either invest further to become more competitive or deliver even more for specific environmental priorities, or both.

Through transition, from 2022, the funding for financial stability payments will reduce while the funding for non-competitive productivity and environmental measures will increase – as illustrated below.
No sector will be more directly affected by Brexit than ours. The role of NFU Scotland in representing its 8,500 members has never been more important.

Contact us:

Tell us what your priorities are when it comes to delivering the best deal for Scotland’s farmers and crofters.

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