



STABILITY – THE PLATFORM FOR CHANGE



NFU Scotland's Policy Proposals for 2021-2024

Stability – The Platform for Change – Executive Summary

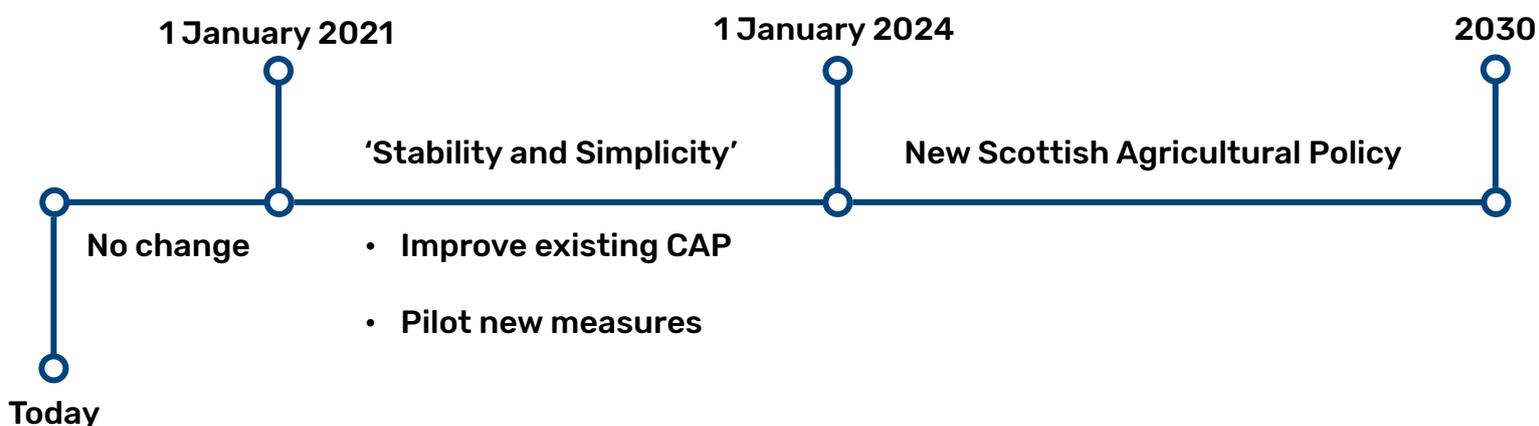
NFU Scotland is clear that change to the current system of agricultural support is a necessity for the industry to adapt to new challenges.

Change must be managed to provide stability and certainty to 2024. Steps must be taken from 2021 to enable Scottish agriculture's transition to even lower carbon and more efficient systems - driving productivity and delivering environment and climate ambitions.

NFU Scotland proposes clear actions to simplify and improve existing schemes from 2021 to provide both certainty for Scotland's farmers and crofters and be a launch pad for more significant change from 2024. These actions include:

- The Basic Payment Scheme (BPS) should continue largely unchanged to 2024 but must include improvements to mapping, inspections and penalty processes
- The Crop Diversification (three crop rule) and Permanent Grassland requirements must be removed from the current Greening rules
- A full review of the operational requirements of Ecological Focus Areas (EFAs) must be undertaken
- The Scottish Suckler Beef Support Scheme (SSBSS) and the Scottish Upland Sheep Support Scheme (SUSSS) must be amended to improve delivery of scheme objectives and reduce compliance risks
- The Less Favoured Areas Support Scheme (LFASS) must be fully retained in its current form until 2024 but re-based on 2019 data - and with a maintained £65 million budget
- The Beef Efficiency Scheme (BES) must be replaced with an effective Beef Improvement Programme that enables pragmatic actions to deliver productivity and environmental outcomes. A similar approach must be developed for all other sectors.
- The Agri-Environment Climate Scheme (AECS) must be realigned to a non-prescriptive approach led by farmers and crofters and based on rewarding outcomes rather than only covering income foregone or additional costs

Timeline for Change



Scottish agriculture will play a key role in emissions reductions and carbon sequestration, whilst continuing food production to the highest of standards.

The Scottish Government's Agricultural Transformation Programme must deliver realistic support substantially above the £40 million announced, and separate from existing funding streams, to deliver environment and climate goals.

Farmers and crofters must be incentivised to take up fundamental measures focusing on soils, input costs and emissions. It is essential that such actions are taken up by a much wider swathe of Scottish agriculture and that all doing so are appropriately supported.

To fund NFU Scotland's policy proposals for 2021 to 2024, a multi-annual, ring-fenced financial framework must be established for Scotland with at least the same quantum of funding as now under both Pillars of the Common Agricultural Policy.

In addition, the funding allocated to Scotland via the Bew Review of intra-UK allocations must be used to fund the Scottish Government's proposed pilots from 2021 to develop agricultural support post-2024, as well as funding the fundamental actions around soils, input costs and emissions.



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In Times of Challenge and Change – A Need for Certainty

NFU Scotland is clear that change to the current system of agricultural support in Scotland is both a necessity and inevitable as a result of leaving the EU and a host of other challenges facing the farmers and crofters of Scotland. However, the pace of this change must be manageable for all involved.

That pace of change is constrained by the current uncertainty faced by Scottish agriculture, the complexity, cost and risks involved, including the lead-in times required to develop or update IT systems, and the time required by agricultural businesses to adapt to such changes. That means that having a full new domestic policy ready for introduction by 2021 would not be practical.

Consequently, the Scottish Government has decided to legislate to enable the simplification and improvement of the current CAP rules and regulations. The intention is that new powers will be used during a transitional period following EU exit from 2021 to 2024. These powers will be required when the UK fully leaves the EU, and until that happens the EU CAP rules will continue to apply in their entirety until 31 December 2020.

As this will give farmers and crofters a required degree of certainty, NFU Scotland backs the 'Stability and Simplicity' approach. NFU Scotland also believes that the 2021 to 2024 period must be used effectively to simplify and improve Scotland's current agricultural support package; to provide a solid platform for more meaningful change and to help meet more challenging policy goals by 2030.

Given that change is inevitable, NFU Scotland is clear that a major overhaul and rebalancing of Scottish agricultural policy is required – developed through the 2021 to 2024 period and implemented thereafter. NFU Scotland has already set out the principles required to support active farmers and crofters, while delivering transformational change to agricultural businesses and environmental goals.

Via its 'Steps to Change' vision, NFU Scotland has mapped out the structure required for a bold agricultural policy geared towards activity. The Steps to Change approach would enable future support to incentivise action by clearly departing from the existing CAP approach of area-based payments that have often promoted inertia, thwarted innovation and stifled restructuring.

There must be an unequivocal shift to action-based measures to bring about complementary productivity gains and the delivery of tangible environmental benefits – explicitly in the context of delivering on key climate change targets.



There are
1.8
million
cattle in Scotland's
national herd



Introduction

Scottish agriculture currently faces an array of political, physical and financial challenges.

The obvious challenges include: Brexit and the issues around trade; people and future support; dysfunctional supply chains characterised by inequitable margins across most sectors; and, the here and now of current agricultural policy, its funding and its delivery.

Equally, there has been no shortage of commentary on Scottish agriculture. The final report and recommendations of Professor Griggs' Greening Review Group were published in February 2018. A report from the Scottish Government's Agriculture Champions on the development of a future agriculture strategy was published in May 2018. And in September 2018, the National Council of Rural Advisers (NCRA) published their final recommendations on a new blueprint for Scotland's rural economy.

All advocate the need for change. As do a host of stakeholder interests. Foremost of these has been NFU Scotland, which continues to advocate change that is managed rather than chaotic and which was set out in pragmatic terms in its 'Steps To Change' policy proposals of March 2018.

And through the Summer of 2018, the Scottish Government embarked on a major consultation exercise culminating in the 'Stability and Simplicity' agenda for a post-Brexit transition period for Scotland's agricultural sector.

The Scottish Government's Farming and Food Production Future Policy Group is also expected to report in June 2020. The Group will focus on the period beyond 2024 and will test proposals to support farming and food production as a key part of a flourishing rural Scotland, including the impact on climate change, the loss of biodiversity and maintaining the rural population.



The Withdrawal Agreement which sets the terms of the UK's withdrawal from the EU, will bring about an implementation phase to 31 December 2020. As a result, from January 2021, Scottish agriculture will be in uncharted territory. While the rules and regulations of the EU will be retained within Scots law, the operating environment for Scottish farmers and crofters is likely to remain highly uncertain. There will still be an ongoing need for certainty and stability.

As a consequence, in this policy document, NFU Scotland calls on the Scottish and UK governments to play their respective, and complementary, roles.

The UK Government must fully commit to a multi-annual, ring-fenced agricultural and rural development budget (as per the sections on Funding (page 20) and the Bew Review (page 22)), while also ensuring proper independent governance of commonly agreed UK regulatory frameworks.

The Scottish Government must use the full extent of its devolved powers to enable the continued, but improved, delivery of a package of existing policy measures that meet the needs and profile of Scottish agriculture, as well as the development and implementation of new measures that will allow Scottish agriculture to establish a firm foundation for more meaningful change from 2024.

In this document, NFU Scotland's latest policy proposals set out what must be done to provide stability and certainty, in the aftermath of leaving the EU from 2021, by improving the delivery of existing policy measures through to 2024.

At the same time, NFU Scotland also advocates new measures that must be put in place from 2021 to enable transition to low carbon and efficient agricultural systems across Scotland - driving productivity gains and delivering on climate ambitions.



Building a Platform for Change



From both political and practical perspectives, Scotland's agricultural policy objectives and how best to achieve them have become even more complex, diverse and uncertain. This has been partly driven by the increasing number of unknowns around the Brexit process and the consequences of leaving the Common Agricultural Policy (CAP).

Scotland's agricultural policy landscape has inevitably been littered with a huge number of uncertainties and complications relating to Brexit following the EU referendum of 2016. These have been compounded further through a period etched by significant physical and financial challenges – from extreme weather and market volatility, to flawed IT systems and cash flow crises.

Scotland's agricultural policy goals have also been partly driven by a recalibration of what society wants from agricultural land use.

To illustrate this, Ambition 2030 was launched in March 2017 and essentially sets a target for Scotland's farming, fishing, food and drinks sectors to drive profitable, responsible growth across the industry, doubling its size to £30 billion in turnover by 2030. A challenge that Scottish agriculture must seize if it is to prosper in the long term.

In addition, the Scottish Parliament legislated in October 2019 to reduce greenhouse gas emissions to 'net zero' by 2045 after receiving fresh advice from the Committee on Climate Change (CCC). But as well as the 2045 aim, the Climate Change (Emissions Reduction Targets) (Scotland) Act contains an interim target of a 75 per cent reduction in emissions by 2030. It is clear that Scottish agriculture must play its part.

Separately, the challenges are huge – with their exact scale still unknown. Together, they mark a defining moment for Scottish agriculture and, therefore, a clear watershed for Scottish agricultural policy.

To guarantee success, Scottish agriculture must be given the tools to succeed – both in terms of measures and funding. Agricultural policy, and the regulatory regime required to underpin it, has to change to enable efficient, effective and environmentally beneficial practice simultaneously – and it needs to change sooner rather than later if policy goals are to be achieved within stated timeframes.

Stability is a must in the short to medium term from 2021 to 2024. However, change must also be instigated if Scottish agriculture is to adjust, adapt and then deliver. Only then can Scotland's farmers and crofters be enabled to play their unique and critical role in the future economic, environmental and social prosperity of Scotland – by 2030 and beyond.

Now is the time to meet challenges and build a platform for change.

A New Legal Basis Beyond the CAP

Via the Agriculture (Retained EU Law and Data) (Scotland) Bill (the 'Scottish Agriculture Bill'), introduced to the Scottish Parliament in November 2019, the Scottish Government intends to provide certainty in the short term to deliver on the 'Stability and Simplicity' approach through an agricultural transition to 2024, enabling pilot schemes to be tried and tested before 2024. NFU Scotland supports this approach.

The Scottish Agriculture Bill is intended to provide Scottish Ministers with regulation-making powers to amend or replace the retained EU law in Scotland relating to the CAP after the UK leaves the EU. The Scottish Agriculture Bill is the first piece of primary legislation introduced in the Scottish Parliament to make provisions for post-Brexit policy in relation to agriculture.

The Scottish Agriculture Bill aims to allow

- CAP schemes to continue from 1 January 2021 and to give Scottish ministers the power to "simplify or improve the operation of" schemes and policies
- pilot projects to be run from 1 January 2021 to test new policy approaches and inform longer-term policy development

As well as the continued operation of the CAP legislation in domestic law in Scotland post-2020, the Scottish Agriculture Bill also provides powers to change how it operates the financial provisions covering agricultural and rural development support. For example, Scottish ministers may set national ceilings for spending beyond 2020, modulate budgets through transfers of funds between Pillar 1 and Pillar 2, and cap the payments paid to individual recipients.

NFU Scotland believes that changes to simplify and improve some of the existing schemes in operation in Scotland must be made from 2021 onwards to provide the much-needed certainty for Scotland's farmers and crofters.

However, NFU Scotland also believes that any change to the existing Pillar 1 to Pillar 2 transfer, or the introduction of capping, from 2021 would undermine stability at a time of on-going, and possibly increased, uncertainty and market turbulence.



NFU Scotland's Proposals for Stability – The Platform for Change

The UK's new relationship with the EU will commence on 1 January 2021, at which point the Scottish Government will initially continue to operate the CAP as it is currently applied in Scotland.

NFU Scotland proposes that an immediate priority of the Scottish Government must be the implementation of the findings of its Simplification Task Force – especially in the context of mapping, inspections and penalties in relation to the main Pillar 1 and Pillar 2 schemes. The Scottish Government should act to make significant improvements to ensure fair and more effective compliance with scheme requirements and introduce more proportionate sanctions, including a pragmatic warning system, when rules are breached.

The following sections cover the main Pillar 1 and Pillar 2 elements of Scotland's current CAP package and identify NFU Scotland's proposals for stability and improvement.

Pillar 1 – Basic Payment Scheme (BPS) and Greening

Until there is a new, distinct Scottish agricultural policy beyond 2024, farming and crofting in Scotland will remain heavily reliant on existing support measures. In particular, the Basic Payment Scheme (BPS) will continue to provide the mainstay of financial certainty for the industry. **NFU Scotland proposes that the BPS should continue largely unchanged through the 2021 to 2024 period but must make further improvements in terms of mapping, inspections and penalties processes within that period.**

This would provide much needed financial and operational stability through what is likely to continue to be an uncertain and challenging period.

If environmental goals are to be attained, then there will have to be a degree of environmental conditionality attached to direct support payments. Yet, the EU's blunt Greening rules do not fit the profile of Scottish agriculture and so offer little by way of environmental gain but have added significant cost to many Scottish agricultural businesses and to Scottish Government in terms of inspections and compliance complexities.



Required 'green' outcomes – notably on climate change and biodiversity – should be derived from agricultural systems rather than prescribed management that compromises food production but does little or nothing in terms of environmental benefits. It is agricultural practices that effectively deliver for the environment while improving the bottom line of the business that are required.

NFU Scotland is clear that the Greening component of Pillar 1 support be overhauled to be far more fit for purpose in a Scottish context and lay the foundations for more significant change from 2024. Environmental conditionality is only effective when it works with the grain of agricultural practice.

NFU Scotland proposes the removal of the Crop Diversification and Permanent Grassland requirements from the current Greening rules from 2021. There is no monoculture issue to be addressed by the Crop Diversification rules in Scotland and the abundance of permanent grassland at a national level renders that Greening requirement completely redundant.

The Ecological Focus Areas (EFA) requirements currently applied in Scotland (namely: Fallow Land; Field Margins; Catch Crops; Green Cover; Nitrogen-Fixing Crops; Hedges, and; Agro-forestry) should all be retained – subject to improvements in their application. In addition, all farm woodlands should be added to the list of eligible EFA features. It is illogical that farm woodlands are currently excluded.

NFU Scotland also advocates that the calculation of EFA areas should be simplified by combining the existing EU Conversion and Weighting Factors and the Scottish Government's additional requirements imposed on the Nitrogen Fixing Crop (NFC) EFA option are removed. Advantage should also be taken of the flexibility available under the existing EU legislation to make full use of the conversion factors for Margins.

NFU Scotland proposes a full review of the operational requirements of EFAs must be undertaken to identify further practical improvements that deliver more environmental gains for less production cost and compliance risk.

Scottish farmers manage
the equivalent of
36,000
rugby pitches as
Ecological Focus Areas

There are more than
500,000
of hectares of arable
farmland in Scotland



Pillar 1 – Voluntary Coupled Support Schemes

In the 2021 to 2024 period, Scotland's coupled support schemes must continue to provide targeted support to active producers. Both the Scottish Suckler Beef Support Scheme (SSBSS) and the Scottish Upland Sheep Support Scheme (SUSSS) are essential components of Scottish agriculture's direct support package and offer genuinely targeted support – albeit that the operational side of the two schemes could be improved further from 2021.

Scottish Suckler Beef Support Scheme (SSBSS)

In an era when the Scottish suckler herd has seen continued declines, the SSBSS has provided necessary and targeted support to maintain the income of suckler producers – and help secure their vital role in Scotland's flagship beef sector.

The current SSBSS indirectly incentivises increased fertility and decreased calf mortality, thereby encouraging improved productivity. **NFU Scotland proposes that the SSBSS continues in its current form but must be reviewed in respect of how the shift to electronic identification through ScotEID for all cattle registrations and movements could be used to simplify scheme applications.** There should also be increased communication prior to the SSBSS deadline to ensure that eligible farming and crofting businesses know when they can and should claim.

NFU Scotland also proposes that serious consideration be given to a return of front-loading of payments, i.e. a higher payment for, say, the first 10 eligible calves claimed. This would be in addition to the retention of the current distinctions between the Mainland and Islands, and would offer weighted support to smaller, often developing, suckler herds.



Scottish Upland Sheep Support Scheme (SUSSS)

The SUSSS has provided vital support to maintain sheep flocks on holdings that are reliant on BPS Region 3 land. The continuation of direct support under BPS therefore requires the continuation of SUSSS in order for business viability to be maintained on some of Scotland's most disadvantaged and challenged land.

As well advocating the continuation of the SUSSS, NFU Scotland also proposes that steps are taken to simplify the SUSSS for applicants while continuing to deliver on the principles of the scheme. These proposals include

- Removing the upper limit of 1 ewe hogg per 4 hectares of Region 3 land while retaining the requirement of 80 per cent Region 3 land
- Restricting the number of ewes hoggs claimed to 25 per cent of the number of breeding ewes in the flock, ensuring that the scheme is intentionally targeted at replacement ewes. There should, however, be an attempt to ensure that any change to inspections as a result of this is not overly onerous, i.e. there should be no requirement for a whole flock inspection
- Simplifying the inspection and penalty regime with regards to ewe hoggs at retention locations via a warning system and proportionate sanctions, rather than the current draconian penalties that can be business-threatening

NFU Scotland believes that these improvements to the SUSSS could and should be made from 2021 under the powers introduced by the Scottish Agriculture Bill.



Pillar 2 – Less Favoured Areas Support Scheme (LFASS)

NFU Scotland is clear that LFASS is uniquely important to Scottish farmers and crofters given the scale of poorer quality land that needs additional support to promote the viability of livestock rearing businesses. Extensive grazing systems are not only the backbone of Scotland's sustainable red meat industry, but also contribute an array of environmental and social benefits.



LFASS provides a vital injection of funding for hill farmers and crofters and without the annual £65 million of life-line support to the most agriculturally challenged areas of Scotland, many hill farms and crofts would be unsustainable which could lead to much wider ramifications - including the potential for agricultural land abandonment and its associated adverse impacts on habitats, landscapes and rural communities.

Yet Scotland's hill farmers and crofters will continue to face an increasingly challenging and uncertain future, not only in the wake of the UK's departure from the EU but also given the very marginal nature of what they do - both physically and financially. There remains a very real threat to hill farms and crofts without the security of LFASS, a vital funding stream to those in the most disadvantaged of areas.

That threat came into ever sharper focus from 2019 whereby, under EU rules, Scotland had the option of either continuing to operate LFASS on a reducing financial scale or replacing LFASS with an Area of Natural Constraint (ANC) scheme.

Given the critical delivery challenges, NFU Scotland backed the Scottish Government's decision not to move to an ANC scheme for 2019 and 2020. The loss of LFASS would also mean the complete loss of any targeting of this support to active farmers and crofters to an even blunter form of area-based payment.

**More than
85%
of Scottish farmland is
classified as being less
favoured area**

**Scottish beef farmers
have carried out more than
2,000
individual carbon audits in
an effort to reduce emissions**

So a move to an ANC scheme from 2021, as currently demanded by EU regulations, would result in a significant and highly destabilising redistribution of LFA support - potentially impacting on the viability of some businesses. There would also be a significant impact on delivery, with new IT systems and processes needing to be designed and implemented.

NFU Scotland proposes that the provisions within the Scottish Agriculture Bill be used to ensure the continuity of LFASS from the 2021 scheme year - and with a maintained £65 million budget. The new legislation could and should be used to unpick Scotland from

existing EU demands that would further destabilise Scotland's hill farming and crofting interests - and everything they underpin.

However, that comes with one significant proviso. Much more effective targeting could be achieved through LFASS if it were rebased. The scheme is currently run on livestock numbers, and therefore enterprise mixes, based on data captured in 2009. Over the last decade, many agricultural businesses have restructured, with many changing enterprises and/or reducing numbers while others have increased eligible livestock numbers as businesses have developed.



In order to address this flaw, NFU Scotland proposes that LFASS continues in its current form until 2024 but that it is re-based on livestock under the economic control of applicants in 2019. Re-basing and a retention of the existing £65 million budget could very well enable increases in the current payment rates, as well as ensuring this support is more effectively focused.

Pillar 2 – Beef Efficiency Scheme (BES)

As with other sectors, production efficiency and climate change are at the top of the agenda for Scotland’s beef sector. The BES is intended to provide participants with valuable information and skills, by incentivising data collection such as calf weights and calving performance.

The scheme has provided businesses with initial experiences of carbon auditing – thereby raising awareness of technical and financial performance.

However, it is clear that a refreshed approach is required with a greater focus on the production efficiency, climate change and environmental aspects of the suckler beef sector.

NFU Scotland proposes that the BES be replaced with an effective Beef Improvement Programme that enables pragmatic actions to deliver productivity and environmental outcomes.

A similar approach must be developed for all other sectors if Scottish agriculture is to reap improved productivity whilst delivering for ambitious climate change and environmental targets.



Pillar 2 – Agri-Environment Climate Scheme (AECS)

AECS is intended to promote land management practices which protect and enhance Scotland's natural heritage, improve water quality, manage flood risk and mitigate and adapt to climate change, as well as improving public access and preserving historic sites. The funding available should enable farmers and crofters to play their key role in managing a significant majority of Scotland's environmental interests – including valued species and habitats.

With the development of future agri-environment measures through pilots in the 2021 to 2024 period, existing positive actions by farmers and crofters must be recognised and rewarded. Public goods derived from good farming practice should not come at private cost.

In addition, measures within AECS and/or its successor must be derived from a bottom-up approach rather than the current top-down, prescriptive approach. Again, it is vital that piloting in the 2021 to 2024 period fully develops this to build payments around desired outcomes rather than the out-dated calculations of income foregone or additional costs. Prescriptive measures, compliance complexity and static payments calculations neither foster participation nor desired outcomes.

Under the current AECS, outstanding concerns persist as to whether the funding is sufficient and accessible to those best placed to deliver or targeted at the interests that could add greatest benefit and thereby ensure best value for money.

A major challenge is to ensure that there is no gap in support for agri-environment activity and that farmers and crofters have the confidence in the current AECS to continue to come forward with their proposals and applications. Therefore, it is of concern that there is to be no AECS open applications in 2020 and instead the Scottish Government has committed to extending those with contracts ending with the option of a one-off, one-year extension.

Whilst this may be pragmatic due to issues with issuing a 5-year contract without certainty of budgets, it is unacceptable that there is no defined commitment for farmers and crofters to undertake biodiversity measures, water quality improvements, flooding mitigation, organic conversion, public access provision, and the like.





Moreover, the current AECS has a specific focus on biodiversity, climate change and water quality and it is likely that these will remain the key issues to 2024 and thereafter. However, it is now beyond doubt that the principal issues are climate change and reducing emissions.

Through legislation, the Scottish Parliament has raised the level of ambition in terms of reductions in greenhouse gas emissions and so NFU Scotland expects the Scottish Government to put more resources into enabling agriculture to play an even greater role in delivering on climate related measures and outcomes.

That said, it is increasingly acknowledged that agricultural production processes will never be carbon neutral in their own right – there will always be emissions from food production. NFU Scotland contends that a policy pathway that recognises and supports the basket of public goods that active farming and crofting in Scotland provides is required.

Tackling Climate Change

It is without question that the single biggest environmental challenge is that of climate change and the need to tackle the climate emergency head on. Scotland's agricultural industry, and its associated practices and land use, is ready to play its necessary role both in terms of emissions reductions and carbon sequestration while at the same time continuing to deliver food production to the highest of standards.

Scotland is a leader in the UK and the UK is a leader in the world on climate change commitments. There is an opportunity for Scottish agriculture in leadership.

NFU Scotland welcomes the commitment in the Scottish Government's 2019-2020 Programme for Government for an Agricultural Transformation Programme – recognising that the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 sets out a requirement for the next Climate Change Plan to have an agricultural modernisation fund to support investment in mitigation measures that reduce greenhouse gas emissions on Scottish farms.

NFU Scotland proposes that the newly established Agricultural Transformation Programme should be used specifically to

- Develop pilot schemes to reduce greenhouse gas emissions from agriculture
- Encourage more woodland integration and agro-forestry on Scottish farms
- Promote the multiple benefits of good grassland management
- Encourage more farmers to invest in renewable energy, including bio-energy, to meet their energy needs
- Support an evidence-based approach to crop production and selection
- Explore the development of models to demonstrate and promote carbon neutral farms
- Support measures to tackle losses through endemic disease and improve fertility and survival of livestock

Emissions from
Scottish agriculture
have reduced by
30%
since 1990



NFU Scotland welcomes the £40 million allocation in the Scottish Budget of February 2020 to the Agricultural Transformation Programme. Farming and food production, and the wider agricultural industry, need to play their part in contributing towards the delivery of Scotland's climate ambitions and environmental sustainability. The Agricultural Transformation Programme must deliver support for key actions to achieve this.

NFU Scotland considers that somewhere in the order of £100 million per year must be made available if the Agricultural Transformation Programme is to have a meaningful and effective impact.

This funding should not be derived from existing CAP budgets – either through an increased Pillar 1 to Pillar 2 transfer or the capping of direct support to individual businesses. This should be additional funding from Scottish Government resources – otherwise such a significant shift in existing agricultural funding allocations could be highly destabilising.

If farming and crofting are to play their part, then it is vital that pathways are identified and developed for positive change. NFU Scotland believes that a holistic approach to farming, food, biodiversity, landscapes and communities, as well as climate, must be taken.

It is also an increasing necessity that farmers and crofters are fully aware of the baseline from which they currently operate if Scottish agriculture is to play a significant role in helping tackle climate change. Actions across all agricultural enterprises can be fully valued and appraised and effective management and practices put in place if there is a clear understanding of the baseline.

NFU Scotland proposes that the opportunity is taken to significantly increase the uptake of essential management and measurement tools across a wider swathe of Scottish agricultural businesses. Given the climate change challenge, it is clear that Scottish agriculture must gear itself up in terms of practical measures that enable farmers and crofters to fully understand the emissions from their agricultural processes and how that relates to the performance of the agricultural business.

NFU Scotland considers that there are three interrelated components to this – physical, financial and climate.

NFU Scotland proposes that all agricultural businesses in receipt of more than £15,000 in annual direct (Pillar 1) support must also undertake three (fully funded) measures. The three measures are

- **Physical – undertake a soil testing programme across Region 1 land declared**
- **Financial – undertake a farm business review with a focus on input costs**
- **Climate – undertake a carbon/greenhouse gases audit across the main enterprises of the business**

To fund this, NFU Scotland considers that a proportion of the additional funds from the recently concluded Intra-UK Allocations Review (the Bew Review) be used.

Funding

Scotland was allocated €4,096 million of Pillar 1 (direct support) funds and €478 million of Pillar 2 (rural development) funds for the CAP programme 2014–2020. This represents around 17 per cent of the total UK CAP budget.

EU regulations permitted the transfer of funds from Pillar 1 to Pillar 2. The Scottish Government chose to transfer 9.5 per cent of the Pillar 1 budget to Pillar 2, so a total of €367 million has been transferred from Pillar 1 to Pillar 2 for the 2014 to 2020 period. Scotland therefore has had a Pillar 1 budget of some €3,729 million over the financial years 2014 to 2020.

Pillar 2 funding in Scotland supports the Scottish Rural Development Programme (SRDP). This was funded over the 2014 to 2020 period by

- €478 million from the European Agricultural Fund for Rural Development (EAFRD)
- €367 million from a 9.5 per cent transfer of Pillar 1 funds
- €675 million from the Scottish Government.

The Scottish Government component reduced in 2017 when the Scottish Government revised the SRDP. Originally, the Scottish Government component had been €838 million. NFU Scotland believes that the original commitment from Scottish Government must be restored.

The current uncertainty surrounding the UK leaving the EU means it is impossible to definitively predict what the future UK funding landscape might look like. To date, the UK Government has made a guarantee in relation to direct support funding for the 2020 scheme year. The Withdrawal Agreement does not allow the UK to continue to participate in schemes covered by EC 1307/2013 (Pillar 1 regulations) as 2020 direct support payments are funded by the 2021 EU budget. The UK Treasury announcement of December 2019 relates to BPS claim year 2020 and confirmed the commitment to maintain that funding from domestic (UK) resources.



Separately, there is a UK Government commitment to maintaining the same cash total in funds for “farm support” for the next five years (or the lifetime of the current Parliament). Clarity is required about how this will be calculated and allocated (given the Bew Review on intra-UK allocations) and whether “farm support” covers all CAP schemes, particularly those non-farming elements of Pillar 2 schemes such as LEADER, forestry and food and drink.

NFU Scotland is adamant that the current levels of public investment in agriculture should be at least maintained. The UK Government should commit to a multi-annual budgetary framework that provides certainty for Scotland’s farmers and crofters by allowing them to plan and invest for the future. Budgetary cycles should be independent of the parliamentary cycle to reflect the need for long term planning and investment and to avoid the agricultural budget becoming politicised and subject to annual discretionary spending decisions.

NFU Scotland proposes that a multi-annual (five-year), ring-fenced financial framework be established with at least the same quantum of funding as now.

Agricultural policy is already a devolved matter, given the differing CAP packages that operate within common regulatory frameworks across the UK. It is just as important that future funding of agricultural support is a UK commitment but its delivery is a devolved decision based on the differing needs and objectives across the UK. Therefore, HM Treasury should finance the new agricultural policy on a UK-wide funding framework, but with the devolved administrations given the policy tools and levers to ensure the agricultural policy works for all four parts of the UK.



Bew Review

Leaving the CAP gives each of the devolved administrations of the UK more flexibility to decide how money should be used to support the individual needs of their farming sectors in the future. It also presents the UK Government with the opportunity to ensure that future funding allocations to the devolved administrations for agriculture are fair.

The independent Intra-UK Allocations Review (the Bew Review) provided recommendations on how the convergence component of the farm support budget can be divided fairly to the devolved administrations for the period 2020 to 2022. The UK Government accepted the majority of the recommendations made by the independent Review.

This means that Scotland will receive an additional €60.43 million over the 2020 to 2022 period. Using the historic € / £ exchange rate at which convergence payments have been made available in the UK (1.1757) this equates to £51.4 million.

The UK Treasury has confirmed that the €60.43 million Bew review funding is being provided in the 2020-21 and 2021-22 financial years and is ring-fenced for farmers and land managers, so the Scottish Government has flexibility as to how it could be used.

NFU Scotland proposes that the Bew Review funding be used to help support the pilots that Scottish Government intend to run in the 2021 to 2024. Moreover, a proportion of the funding should also be used in promotion and marketing of Scottish agricultural produce in existing and emerging markets.



In addition, as proposed on page 19, NFU Scotland proposes that some of this Bew Review additional funding should be used to cover the costs of the trio of physical, financial and climate measures for farm businesses in receipt of £15,000 or more of annual direct (pillar 1) support.

Moreover, and beyond its 2020 to 2022 remit, NFU Scotland endorses the wider recommendations of the Bew Review. It is essential that UK Government engages with the devolved administrations to agree three principles for the intra-UK allocation of agriculture funding from 2022.

To that end, NFU Scotland considers that this process and its outcomes must try to avoid giving farmers in any one part of the UK an unfair competitive advantage when deciding future allocations.

Moreover, those principles must extend those to both of the social value of upland farming in particular and the challenges facing those practising it, and of the potential for delivering environmental public goods alongside sustainable food production, wherever in the UK that potential exists.

NFU Scotland therefore calls on UK and Scottish governments' ministers to ensure that funding for agriculture and rural areas is ring-fenced and at least maintained at current levels, if not enhanced given its high benefit-to-cost ratio.





— | NFU Scotland | —

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