

## Debate on Motion **S4M-07892** Common Agricultural Policy – 03.10.13

Scottish Environment LINK believes a reformed CAP presents an opportunity to set Scottish agriculture on a more sustainable and progressive path. In taking decisions on implementation, we encourage the Scottish Government to:

- ensure the move to regionalised payments **improves the level of basic payment support to HNV farming and extensive livestock production** which is economically vulnerable but environmentally important;
- ensure the **effective implementation and enforcement of cross compliance** which sets the regulatory baseline for all CAP support;
- ensure **effective implementation of the green payment** in Scotland and that it secures real environmental improvements in the agriculture sector;
- make use of the **modulation mechanism** - transferring the maximum amount of money (15%) from Pillar I to Pillar II in order to boost funding for the next SRDP;
- **increase the amount of SDRP funds spent on the agri-environment, organic and some forestry measures to 50%** in order to deliver against the Government's own targets and obligations regarding biodiversity, water quality, GHG emissions, landscape and heritage; and
- improve the **prioritisation, targeting and effectiveness of the SRDP** as a whole and allocate increased funding for advice.

### INTRODUCTION

Scottish Environment LINK welcomes the parliamentary debate on CAP reform and implementation in Scotland. Following the recent tripartite agreement between the European Commission, Parliament and Union, the broad direction of travel has become clearer and we welcome the initiative taken by Scottish Government to consider implementation issues sooner rather than later. Decisions taken over the coming months will have a major bearing on farming, the natural environment and rural communities for years to come. If we get these right, **we can set agriculture on a more sustainable and progressive path than the one we have been on to date**. Inevitably, there will be huge pressure to not deviate from the current path – or to do so as little as possible. We reject this notion of no or little change and believe now is the time to make a step-change if agriculture is to meet the many challenges facing it in the coming years.

LINK wants the future CAP to support profitable farm businesses based on sustainable farming practices. The CAP implementation offers a number of opportunities to achieve this goal. **We urge the Scottish Government to set out a vision for the future of farming, in Scotland that emphasises a sustainable long term future for rural communities, Scotland's countryside and for our valued environment.**

### Moving to regionalised payments

The current distribution of the Single Farm Payment follows historic patterns of production and results in the highest levels of public support being given to the most economically viable and competitive farm businesses which face the fewest production constraints. The most economically vulnerable and frequently environmentally important farm businesses – primarily extensive livestock producers – receive low levels of support. The move to a regionalised payment model is an opportunity to redress this imbalance and to improve the viability of the most vulnerable and High Nature Value farm businesses in order to prevent land abandonment and secure the delivery of public goods. Government clarity on objectives and desired outcomes is essential here if a 'bun-fight' between different farming sectors – beef versus arable versus dairy – is to be avoided.

### Implementation and enforcement of cross compliance

All businesses should be expected to comply with the law and face appropriate sanctions if they do not. Cross compliance is an important policy tool to encourage compliance with environmental and other legislation, imposing additional sanctions through the withdrawal of subsidy. We are concerned at the general weakening of cross compliance in the CAP reform - e.g. the removal of some key environmental requirements and the downgrading of inspection regimes and sanctions. We asked the Cabinet Secretary to resist this and to ensure effective enforcement of cross

compliance in Scotland. This should include greater effort to communicate regulatory requirements to farmers and land managers and providing advice as to how best to meet these. Communication and advice on cross compliance are currently poor.

### **Green payment**

We remain convinced that the best way to achieve environmental outcomes on farmland is through targeted Pillar II interventions. But given constraints on Pillar II funding, mandatory greening in Pillar I is welcome, particularly since this will amount to c. £130 million per annum i.e. more than three times current agri-environment scheme expenditure. EU ambitions for this payment are low however and it is difficult to see how, under the European Commission's model, this money could be used to achieve real environmental outcomes in Scotland. For example, crop diversification and Ecological Focus Areas will only apply to arable farming (c. 18% of Scotland's agricultural area). The Permanent Grassland requirement will apply much more widely but only at regional/national level. Farm level requirements look likely to be non-existent. If the equivalence approach is adopted, there may be scope to develop an alternative green payment model designed to maintain green infrastructure/landscape features, improve water and soil quality and reduce GHG emissions. We do not consider that any existing certification schemes, especially farm assurance schemes, fit the bill and the challenge would therefore be to introduce something in time for 2015.

### **Modulation from Pillar I to Pillar II**

We support the Cabinet Secretary's ambition to see an uplift in EU Pillar II funding. However, the outlook is not good and the shortfall between the amount needed to meet the Government's own targets in relation to biodiversity, water quality and GHG emissions and the amount available from EU and domestic match-funding, is likely to be significant. Using modulation to transfer the maximum amount of funds (15%) from Pillar I to Pillar II will, in our view, be essential if the next SRDP is to have any real buying power. This could raise an additional c. £65 million for the SRDP (excluding any match-funding). The challenges of getting real value for public money in relation to the green payment (although we must try) add further weight to the case for using modulation. It is much easier to target funds to achieve specific outcomes – whether environmental or socio-economic – through Pillar II mechanisms which allow for multi-annual agreements, capital grants and detailed eligibility criteria etc. than it is through the rather blunt payment mechanisms of Pillar I. Modulation is an opportunity to keep money within the 'agricultural pot' but to use it in a much more objective led and fine-tuned way.

### **Increased funding for agri-environment schemes**

Many of the environmental challenges we face – loss of biodiversity, landscape and cultural heritage degradation, diffuse water pollution, GHG emissions – can only be addressed by securing certain kinds of land management and incentivising more sustainable farming practices. The agri-environment-climate measure in Pillar II is one of the few measures that will have the scope to achieve this. Scotland currently spends the lowest amount on agri-environment schemes on a per hectare basis across the whole of the EU, except for Portugal – just €39.9/ha compared to the EU 27 average of €235/ha. Whilst to some extent this reflects the large area of low intensity land in Scotland, other Member States with similar shares of such land including Ireland, Slovenia and Finland spend significantly higher amounts on their agri-environment schemes whilst also spending comparable amounts on the Less Favoured Area measure. If this situation continues, it is our view that the Scottish Government will fail to meet a range of EU and national targets with serious consequences for society and farming itself. We support EU proposals for a minimum of 25% of EAFRD funds to be spent on the agri-environment-climate and organic farming measures alone (not including ANC) and urge the Cabinet Secretary to increase funding for agri-environment, organic and some forestry measures to 50% of the next SRDP.

### **Prioritisation, targeting and effectiveness of the next SRDP**

LINK members have welcomed the open and constructive process put in place by Scottish Government to develop the next SRDP. We recognise that funding will be limited and have therefore been consistent advocates of better prioritisation and targeting in the next programme.

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National and regional priorities and targets need to be clearly articulated to guide decisions. We have also made the case for funds to be focused on the delivery of public goods, which would otherwise be under-provided, and not on funding those activities that might have happened anyway e.g. some elements of farm business development and diversification which banks are willing to lend against. We support the idea of a 'facilitation pot' for encouraging landscape scale, cross boundary projects and initiatives and want to see a significant increase in the provision and availability of advice to farmers and land managers to improve delivery and outcomes.

**For more information contact:**

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**Motion S4M-07892 Richard Lochhead: Common Agricultural Policy**—That the Parliament notes the importance of the EU common agricultural policy (CAP) for underpinning productive agriculture, delivering environmental and other public benefits and supporting rural development; notes that the EU reached an agreement on a new CAP and welcomes the Scottish Government's success in negotiating provisions that meet Scotland's needs on new entrants, active farming and increased flexibilities; looks forward to the Scottish Government's future public consultations on implementing the new CAP in Scotland; notes that, as a member state, Scotland would have qualified for increased Pillar 1 payments worth €1 billion extra up to 2020 and been able to negotiate improved Pillar 2 rural funding; deplores the budget deal negotiated by the UK Government, which failed to address Scotland's unacceptably low CAP funding, and calls on the UK Government to deliver a fair deal for Scotland through the UK's allocation of CAP funds, including the full external convergence uplift to Scotland. Supported by: Paul Wheelhouse\*