

Final report of the Inquiry into Future Agricultural Support for Scotland (the Pack Report)¹

Background

On 3rd November 2010, the final report of an inquiry commissioned by the Scottish Government to examine future support to agriculture was launched. It identifies food security, climate change, water, energy, biodiversity and rural communities, as the “global challenges” support should address. However, greatest emphasis is placed on food supply – described as the primary purpose for a competitive industry.

The inquiry recommends changes to Pillar 1 Direct Payments (the Single Farm Payment). It proposes an area payment supplemented by a top-up fund with different rates and conditions for payment within and outside the Less Favoured Area (LFA). Within the LFA, an additional payment coupled to livestock numbers is recommended.

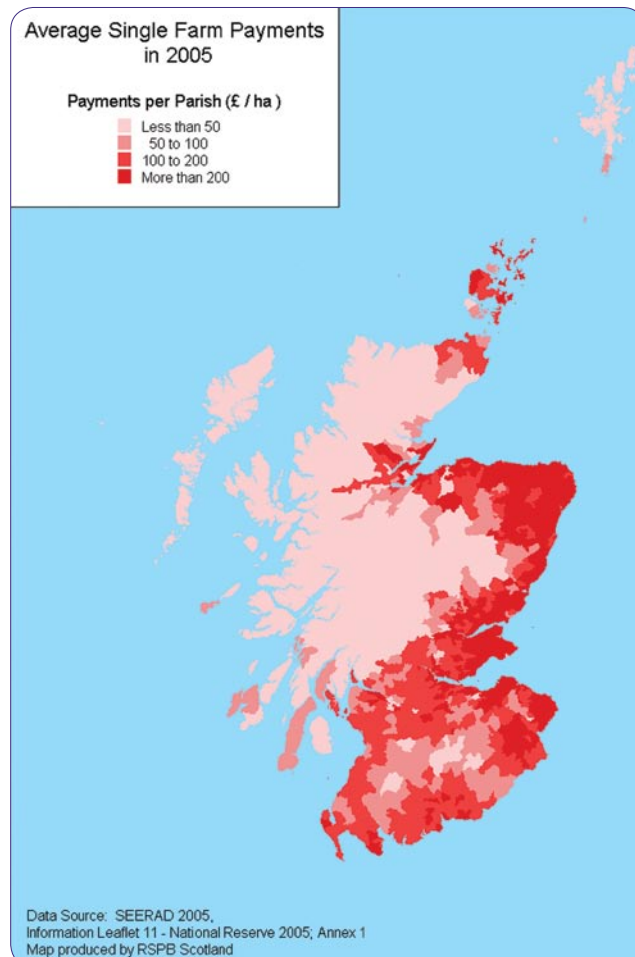
For Pillar 2 Rural Development, it is suggested that the majority of the LFA budget be transferred to Pillar 1 to



fund livestock schemes. Any remaining LFA funding should be dedicated to newly established “vulnerable areas”. More emphasis is given to broad and shallow agri-environment schemes.

Facts and Figures

- Agricultural production has positive and negative impacts on the environment. Regulation seeks to prevent damage while agricultural support has a key role to play in incentivising positive environmental management.
- Over a third of Scotland’s water bodies are not in good ecological status² and 50% of lowland and farmland protected sites are in unfavourable status.³
- Scotland has a high proportion of the UK’s peatlands and around 10% of the world’s blanket bogs.⁴
- A relatively high proportion of Scotland’s farming systems, particularly to the North and West of the country, are of High Nature Value (HNV).
- Scotland has the lowest levels Rural Development support per ha of farmed land in the EU. Direct funds are the fourth lowest.⁵
- In 2009, around 80% of funding to agriculture was spent on the Pillar 1 schemes and less than 10% on agri-environment.⁶
- There is an imbalance in funding schemes: more intensive and agriculturally productive farming systems in the East receive more support than less productive but HNV farming systems in the North and West.



Scottish Environment LINK's views

LINK believes that with the global challenges, the report has correctly identified many issues fundamental to maintaining agro-ecosystem health. LINK believes that all public funding for land management should be directed towards providing public goods. Our vision⁷ is for a well-funded support system for all land managers willing to provide basic environmental benefits above what is required by legislation. There should be higher payments for more specifically targeted environmental management. More support should be directed towards HNV farming systems to pay for the environmental benefits they currently provide.

However, we fundamentally disagree with the premise that that the main purpose of land management payments should be to provide distorting economic subsidies to an "industry, which has food supply as its primary purpose", and where the most productive businesses receive the largest payments. This completely ignores the intent of the Government's Land Use Strategy which aims to encourage multi-functional land use.

Increasing the use of headage payments to 15% (plus the top-up directed at Standard Labour Requirements) goes against the direction of CAP reform and incentivises increasing livestock numbers even where this makes neither economic nor environmental sense.

LINK is especially disappointed by the suggestion to increase Pillar 1 funding at the expense of Pillar 2. In addition, broad and shallow agri-environment schemes (AES) have not proved as effective as targeted AES⁸ and funding for the former should not be increased at the expense of the later.

More positively, the recommendation that Scotland should receive greater levels of EU support is welcome. The idea of a top-up scheme might also deliver environmental benefits if this were to reflect suggestions, currently being considered in Brussels, for a mandatory environmental top-up including environmental set-aside. Likewise, the payment to vulnerable areas could be useful if targeted at HNV farming.

Notes

1. <http://www.scotland.gov.uk/Publications/2010/11/03095445/0> ; 2. http://www.sepa.org.uk/water/river_basin_planning.aspx 3. <http://www.snh.gov.uk/docs/A340392.pdf> ;
4. SEPA (2001) State of the environment: Soil quality report http://www.sepa.org.uk/land/contaminated_land/extent_of_contaminated_land/scotlands_soil_resource.aspx ;
5. E.g. see chapter 2 of The Road Ahead for Scotland; 6. Agriculture Facts and Figures 2009 <http://www.scotland.gov.uk/Publications/2010/06/09152711/1> ;
7. <http://www.scotlink.org/files/publication/LINKatfReportBeyondCAP.pdf> ; 8. E.g. LUPG (2010) A Review of environmental benefits supplied by agri-environmental schemes <http://www.lupg.org.uk/Default.aspx?page=143>

The **file note** series is an initiative from Scottish Environment LINK to highlight and encourage debate of high priority topics of particular relevance to Scotland's land use. Published by Scottish Environment LINK, December 2010.

Scottish Environment LINK is a Scottish Charity, No SC000296 and a Scottish Company Limited by guarantee and without a share capital, Company No SC250899.

