



Scottish
Environment



**Scottish Environment LINK's response to the
Interim Report of the Inquiry into Future
Support for Agriculture in Scotland**

Scottish Environment LINK is the forum for Scotland's voluntary environment organisations – over 30 member bodies representing a broad spectrum of environmental interests with the common goal of contributing to a more environmentally sustainable society. LINK assists communication between member bodies, government and its agencies and other sectors within civic society. Acting at local, national and international levels, LINK aims to ensure that the environment is fully recognised in the development of policy and legislation affecting Scotland.

This response is supported by the following organizations which make up LINK's Agriculture Task Force:

Archaeology Scotland
Buglife – The Invertebrate Conservation Trust
Bumblebee Conservation Trust
Butterfly Conservation Scotland
National Trust for Scotland
Plantlife Scotland
RSPB Scotland
Scottish Wildlife Trust
Soil Association Scotland
Woodland Trust Scotland

Summary

Scottish Environment LINK welcomes the Inquiry into Future Support for Agriculture in Scotland and the opportunity to respond to the public consultation. It is inevitable, and desirable, that CAP funding will change in the future and Scotland should be engaged in the debate on future payments at the earliest possible stage. The interim report includes some excellent analysis and raises interesting questions. Food security, water supply, energy supply, biodiversity loss and climate change are named as the five major global challenges the world needs to face. The report states that agriculture will need to meet multiple demands – producing more food at the same time as reducing greenhouse gas emissions and maintaining and enhancing biodiversity. As such, land managers will need to recognise their changing role and work to deliver what society needs and wants. However, LINK is disappointed that the proposed funding mechanisms laid out in the second half of the report, do not address the environmental challenges that the report itself highlights as being of vital importance, and is concerned that they may encourage further environmentally damaging activities.

LINK's vision for the future of agricultural funding is for a series of tiered payments aimed at delivering the public goods which are otherwise undersupplied by the market. This payment system would include a base payment with a series of management requirements attached; payments for High Nature Value farming and organic farming systems; targeted agri-environment payments and payments for meeting the requirements of environmental legislation where this demands significant, locally differentiated changes in practice.

In the short term, we need to find means to better support those upland grazing systems which supply significant environmental benefits and ways of ensuring those benefits continue to be delivered. We also need to replace the environmental benefits of set-aside. LINK would like to see a movement towards an area based direct payment before 2013.

Whilst LINK supports the aims of the inquiry and the rationale for future payments elaborated in the interim report, we disagree with the proposed funding mechanisms. We would welcome the opportunity to discuss our ideas further with the inquiry team before the final report is produced.

Answers to specific questions:

5.1 The Inquiry identified broad principles which future support schemes must follow - do you agree with these principles? (P34)

LINK does not agree with all the proposed principles. In particular, we believe that the principle that "future support schemes must have agricultural production at their heart, thereby sustaining agricultural production" could be misleading. Whilst maintaining our ability to produce food is obviously a key function of agricultural funding, funds should be directed at, amongst other things, maintaining the biological and physical environment on which food production relies rather than at increasing food production in the short term. Agricultural activities are also important for the production of a range of other goods, some of which are not sufficiently rewarded by the market. It is therefore important that public subsidies are directed towards the goods that will otherwise be undersupplied.

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We also disagree with the principle that “future support schemes should be simple and not incur high administration costs”. There is a balance to be struck between well-targeted schemes with higher administrative costs and simple schemes which are easy to administer but which may not achieve their aims. LINK strongly agrees with the principle that “future support schemes must be designed to work towards clear objectives so that it is clear what investment in agriculture is seeking to achieve”. This however, implies that some administration costs will be incurred.

LINK agrees with the analysis of the European and WTO requirements for future support. We also agree that “future support schemes should help deliver the Scottish Government’s aim of achieving a ‘new contract between farming and society’”. We need to continue the move away from the idea of “entitlement” to subsidies towards the idea that agricultural support funds particular services.

5.2 Are the objectives identified by the Inquiry as the underpinning rationale for future support valid and comprehensive? (P35)

LINK believes that the objectives are valid but not comprehensive. We believe that the main objective for all future funding should be “Maximising the delivery of public goods”. However, we cannot assume that public investment in agriculture will automatically enhance their delivery. Agricultural funds need to be better targeted to ensure that land managers can provide the public goods that society demands.

5.3 The Inquiry identified four main streams for future support and believes that the debate about Pillars is distracting - do you broadly agree with these recommendations? (P35)

LINK agrees that the debate about the pillars can be distracting. We believe that certain principles enshrined in pillar 2 could be usefully applied to all agricultural funding e.g. targeting funds, monitoring, programming approach. However, public goods could be delivered through either pillar and their separation is not necessary.

LINK believes the four main strands of funding are not ideal, though their usefulness would very much depend on how they were applied. LINK’s vision for future funding is laid out at the start of this document. Some elements of this could be delivered through the funding streams identified here as described in the responses below.

5.4 Is the goal of trying to achieve an objective system for the allocation of area payments using a constant criterion, which is not dependent on management, like the Macaulay Land Capability for Agriculture (LCA), worthwhile? (P37 - 38)

No. LINK believes that all funding should be in return for the provision of public goods. A simple area-based payment may be acceptable (as a part of an agricultural support system) if in return, land managers comply with certain conditions which have been shown to produce public goods. We fundamentally disagree with the idea that those land managers with the most productive land should receive the highest area-based payments as these are the same land managers likely to receive the highest returns from the market. This proposal would not deliver the challenges identified by the inquiry team.

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5.5 The Inquiry suggests that it is essential that the area eligible for direct payments changes annually to ensure it reflects the reality and is not an historic base. Do you agree with this concept? For you information it could have implications for administration costs and, possibly, the date by which the full direct payment is made. (P37)

Yes, the eligible area for any kind of future area payment would need to be adjustable in order to ensure it reflects reality.

5.6 What are your views on the "annual qualifying requirements" for future area based payments set out in the interim report? Are they sufficient to capture "active" farming? (P38)

No comment since we do not support the area based system as proposed.

5.7 An example is given in the report to illustrate what area payments might look like - area payments plus Top Up Funds (TUF) equals the current SFP budget. This example, has been chosen for illustration only and is in no way a working scheme. The example pays higher rates to the most productive land and to land on the margin of being most productive. (P38)

No comment. We disagree with the principal of higher payments to the most productive land.

5.8 Do you agree that the total agricultural utilisable area of Scotland should be eligible for inclusion in an area scheme and that as far as rough grazing is concerned, the area actually paid on, is land supporting more than 0.12 LU per hectare? It would be expected that the claimant would reduce the area claimed to meet the minimum stocking rate requirement. (P39)

We agree that the total agricultural utilisable area of Scotland should be eligible for inclusion in an area scheme if in order to qualify for this scheme, land managers agreed to a certain set of management practices which had been deemed to deliver public goods. Such practices could be determined regionally/nationally within an overall EU framework. We agree that setting grazing levels may be appropriate but this should be done on a basis of the public goods delivered by grazing, not to encourage the maintenance of a certain level of grazing for production purposes. Optimum grazing levels could vary depending on land type.

5.9 The Inquiry's attention was drawn to a potential problem in that area based direct payments might drive up rents. It suggests that if the occupier of the land has to enter an annual contract with Scottish Government to deliver Good Agricultural and Environmental Condition (GAEC), including minimum stocking rate where appropriate, this might help.

We agree that measures should be put in place to ensure that it is the active managers of the land that receive the payments.

5.10 The Inquiry believes that a constraint on the sustainability of farm businesses is market price volatility, with Europe, in order to satisfy WTO demands, having no effective price stabilisation mechanisms. (P40)

a) Do you agree?

b) Also, within WTO constraints, is there a mechanism (such as mutual funds or insurance) that you think the Inquiry should consider?

LINK believes that paying a set price for the provision of public goods could provide a stable income source which would help protect land managers from market price volatility.

5.11 The Inquiry suggests establishing a Top Up Fund (TUF) which would be available to farmers in receipt of direct payments, in return for a commitment to transformational change which will improve their competitiveness and sustainability. Do you agree with this suggestion that a TUF be established? (P40 - 42)

The usefulness of a TUF would depend very much on the conditions attached to payments and how they were directed. We believe that a significant proportion of agricultural funds should be directed towards the provision of public goods e.g. through HNV, Organic and Agri-environment Scheme support. There are ways the TUF could be used to facilitate public goods delivery if direct payments remain the main form of support in future. The TUF could be used to fund outcomes related to the key challenges identified in the Interim report and the emphasis of the fund should be that of achieving a more sustainable farming sector in Scotland.

5.12 As the TUF will provide money to help achieve outcomes at the expense of the direct area payment, deciding the size of the fund is critical. The Inquiry's view is that for the TUF to be meaningful it must be at least half the amount that would be paid out as new direct area payments, what is your view? (P40 - 41)

We support the idea of a top-up fund in as far as it could be used to target agricultural support better to allow the delivery of public goods. If the TUF were established with these aims, we agree with the inquiry's conclusions that it must secure at least half of the budget in order to be meaningful. There is also a need to ensure that any TUF schemes must adhere to common principles across the EU.

5.13 At this stage the Inquiry has identified the principle of establishing a TUF but, as well as developing its own ideas, is looking to canvass ideas on what the various measures might be and how they might be applied. Please provide your thoughts. (P40 - 41)

The TUF could be used for a number of purposes. It could support High Nature Value farming by increasing support to the most ecologically valuable farming systems and practices. It could support organic farming practices. It could also support investment or capital grants where these are designed to respond to the challenges posed by climate change, renewable energy, water management or biodiversity loss.

5.14 The Inquiry suggests that Top Up Funds might be directed at individual claimants in proportion to their direct area payment in return for certain specified outcomes with any unclaimed funds being used as a general pot. Do you agree with this concept of, in effect, having an individual area claimant's fund or should it be much more measure-specific for example, with some funding dedicated to supporting particular sectors? (P41 - 42)

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If a TUF were to be established, it should be measure specific rather than used to create an individual claimant's fund.

5.15 If you believe that a proportion of TUF monies should be used for sector specific measures. (P41 - 42)

a) What proportion of the total TUF should be allocated?

b) Which sector or sectors should TUF support and why?

We believe funding should be 'measure specific' and not allocated to specific sectors.

5.16 Currently the EU allows 3.5% of National Ceilings to be used for trade distorting measures (including coupled support) with the target very much being vulnerable areas and production. In any new regime the Inquiry believes that it is essential that Scotland achieves a right to direct 15% of its ceiling to trade distorting measures as 85% of Scotland is Less Favoured Area and 65% is rough grazing utilised by livestock. Do you support this stance? (P41)

No, we do not support any increase in trade distorting subsidies including coupled support.

5.17 Do you agree that the area of forest created from 2009 should be eligible for payment?

We envisage that all non-built surfaces of a holding, including all landscape elements, natural vegetation and small forest plots (with maximum size to be defined at national level) would be eligible for any future direct payments. Grazed forest or wooded pasture would qualify but forests managed for commercial timber extraction would not. We therefore draw a distinction between small farm woodlands and forest/woodland that forms part of a farming/grazing system and forest planted specifically for timber production. However, while an area payment may not be appropriate for commercial forestry, we believe forest environment payments should be available for management that delivers public goods. It is important that land uses are better integrated to produce multiple benefits as envisaged by the Scottish Government's land use strategy.

5.18 Do you have any further comments you wish to make on the issues set out in this chapter?

No – see comments at the start on our position.

Chapter 6: Short term issues

6.1 Do you accept the Inquiry's position that a move away from the current historic basis of SFP to an area base should await EU agreement on the post 2013 regime and allow time after the decision is made, for developing how the scheme would be implemented including the necessary data processing - i.e. that a scheme should not be implemented before the 2014 scheme year? (P44 - 45)

No, we believe we should move away from the current historic basis of SFP to an area base as soon as possible. The Government must signal to farmers and crofters

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now that change is both necessary and inevitable and encourage the early adjustment that farm businesses will have to make at some point.

6.2 As the Inquiry envisages that current SFP entitlements will be paid for the next four years (2010, 2011, 2012 & 2013) and it received strong arguments for the immediate implementation of a phased change, the Inquiry recommends that any new basis should be implemented in the 2014 scheme year without a further transitional period. Do you agree with this view and, if not, what arguments would you offer to influence this position? (P45)

Yes, if we do not move to an area based payment earlier.

6.3 The Inquiry has identified with regret that under the Health Check regulations there is no route available to provide historic SFP to new entrants who have started farming since 2004. Do you have any views on how such new entrants, within EU rules could be helped? (P45 - 46)

A move to an area based payment now would be beneficial to new entrants since it would end the existing entitlement to payments based on the reference years and extend eligibility for payments to both new land and new entrants.

6.4 The Inquiry is of the opinion that the only way to ensure that only land which supports some agricultural production is used to claim SFP entitlements is to introduce new requirements into GAEC. In particular the Inquiry thinks that for livestock production, a minimum stocking rate of 0.08 LU/ha should be applicable from the 2011 scheme year. In the interests of equality, the Inquiry has also suggested an equivalent measure requiring minimum arable activity. (P46 - 47)

We support linking payments to the delivery of public goods rather than agricultural activity per se. Since the majority of these public goods require active land management to deliver them, this would ensure support for agricultural management continues. Applying minimum and maximum stocking densities to certain payments will be appropriate but these need to be relevant to regional conditions and farming systems. The current suggestions could penalise those who are currently actively farming at a lower intensity while delivering multiple public goods.

The proposals for a GAEC measure linked to arable production could encourage practices which would be damaging to biodiversity. We believe that instead, measures to compensate for the loss of the environmental benefits of set-aside should be considered.

6.5 To better define GAEC, the Inquiry has also considered introducing a maximum stocking density (2.5 LU/ha). What is your view on this suggestion? (P46)

See above – a maximum stocking density may be appropriate but it would vary across different farming systems and land types.

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6.6 Do you accept the principle of top slicing all Scottish entitlements to finance measures designed to address some of Scotland's emerging issues? The reasons for your view would be appreciated. (P47 - 48)

We support the use of Article 68 and its intention to support, among other things: types of farming important for the protection and enhancement of the environment; specific activities entailing additional agri-environment benefits; and, addressing disadvantage affecting farmers in economically vulnerable or environmentally sensitive areas. In the short term, this is the only way to fund measures that are needed to address some key environmental challenges.

6.7 Do you believe that an Article 68 measure to help stabilise beef production should be seriously looked at for implementation and, if so, which of the three outlined would you support and why? (P49 - 51)

We do not support the use of an Article 68 measure to help stabilise beef production, as proposed in the report. We support the use of Article 68 to fund a package of upland Land Managers Options or to target livestock farming in areas at risk of abandonment. Equally, Article 68 could be used to fund a basic stewardship LMO package to help re-establish the benefits of set-aside.

6.8 Is the Article 68 measure to support sheep production in the North West worthy of pursuing despite the expected disproportionate costs of running the scheme? (P51 - 52)

We do not support headage payments for sheep since we believe these would send the wrong signals to producers. Instead, we think it would be feasible to develop an appropriate upland LMO or a specific support scheme for extensive livestock consisting of area payments for livestock graziers in targeted areas. Appropriate eligibility criteria would need to be defined to ensure the payments targeted the right geographic areas and producers.

6.9 If you recommend trying to implement one or more of the Article 68 measures do you wish to offer comment on what you see as the essential criteria of the scheme(s)? (P49 - 53)

Any such measure should focus on delivering public goods, thereby supporting those farming systems and practices that are vital to the delivery of such goods.

6.10 Should the conversion of the Scottish Beef Calf Scheme from an Article 69 measure to an Article 68 (will not be identical) scheme under the Health Check regulations be pursued? Is your recommendation dependent on what else might be pursued under Article 68? (P53)

We believe the Scottish Beef Calf Scheme should be ended and replaced with alternative Article 68 measures to support extensive livestock grazing.

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