‘Renewing Scotland’s Rural Areas’ Revisited

How to transition from the CAP to a new regime of rural support

LINK Food and Farming Group, August 2020

1. Introduction

In 2017, Scottish Environment LINK published 'Renewing Scotland's Rural Areas: A Role for Future Farming and Rural Land Use Policy'. This paper set out the initial views of LINK Food and Farming Group members on how Scotland could transition from the Common Agricultural Policy (CAP) to a new rural policy, following the result of the EU referendum.

Since then, there has been much debate as to what a new rural policy might consist of and the publication of further ideas and proposals from a range of stakeholders. These suggest there is broad agreement that change is necessary and some common thinking on the types of future support that could be introduced. But there is, as yet, far from a settled consensus on what should be put in place to replace the CAP. The need to find agreement on both the rationale for supporting farmers, crofters and other land managers going forward and the best means by which to do so is increasingly urgent.

The outbreak of Covid-19 in the UK has brought many questions about food, its production and supply to the fore and has impacted on Scotland’s economy as a whole. The twin crises of climate change and biodiversity loss - and the role of agriculture and land use as both contributor and solution – were already on the political and policy agenda prior to this health crisis and the need to respond to them remains urgent.

Putting farming and food production on a more sustainable trajectory must be a key element in a green recovery for Scotland and it is vital if we are to address major environmental challenges. We have an opportunity to help food and farming deliver better outcomes for the economy, environment and society – but this means a decisive break with business as usual.

This is not simply about changing the way public money is invested, but about changing our understanding about the role of farming and food in society. We must move away from the idea that production and environment are in opposition and shift to an agroecological approach that integrates the two. **All farms have to play a part in tackling the climate and nature emergency, and land stewardship must be central to the professional ethic of farming, not a bolt-on ‘scheme’. This applies similarly to forest and woodland owners and managers and to those operating other rural land-based businesses.**

At the same time, there should be a stronger ‘food systems’ approach as set out in the EU’s Farm to Fork policy. Farming has a key role to play in nourishing the people of

Scotland as well as tackling climate change and restoring nature; we need closer links between our policies on production and consumption.

We propose that the period from now to 2027 is used to pivot the system of farm support from the current one of predominantly direct payments and income support to one which is designed to deliver public goods. This is also an opportunity to move to a system that better integrates farming and forestry and supports other land-based businesses and activities.

During this period several changes to the system will be needed, as part of or in parallel:

- The development of Regional Land Use Partnerships which bring agencies, land managers and communities together to produce Regional Land Use Frameworks. These Frameworks should help better direct public spend regionally to shape sustainable land use and food production systems in line with national outcomes and targets.
- A decisive shift towards schemes, measures and payments designed to deliver a wide range of public goods and support environmental land management.
- The strengthening of short food supply chains and the local food economy, with co-benefits for future resilience in the event of supply chain interruptions as well as the creation of rural jobs and sustaining farms in marginal areas. The Covid-19 crisis has demonstrated the value of local food systems.
- The implementation and evaluation of a range of pilot and demonstration projects to test and evidence new ways of working and to develop new approaches to monitoring and evaluation.
- The focusing of the next round of strategic research funding on supporting this transition.
- The reinvention of a fit for purpose advisory service, including a new training and Continuous Professional Development (CPD) programme for farmers (and for farm advisors), and the development of whole farm plans (starting with the larger businesses). The advisory service could be developed as a private-public partnership based on regional support hubs.
- Strengthening of producer organisations and benchmarking, particularly in the beef and sheep sector, and the development of robust accreditation of farming systems which deliver on climate and nature.
- A significant shift to agroecological approaches to land management, including organic conversion and agroforestry.

These changes should be delivered during the period 2021-2027. This is likely to improve levels of support for smaller and medium sized farms compared to now, particularly in marginal and upland areas and for those farms and crofts already of high nature value or which practice agroecological methods e.g. organic farmers. Larger, more intensively managed farms on better quality land would not be precluded from such support and indeed would be expected to contribute to the delivery of public goods. But such farms are less likely to be dependent on this support or for it to be critical to their viability. All farms would contribute to the production of food and should be encouraged and helped to earn a greater share of income from markets whilst also rewarded for delivering public goods. Producing food and maintaining and enhancing Scotland's natural environment or tackling climate change should not be viewed as being in conflict; they must be part and parcel of our future food and farming system.

The Scottish Government should set out indicative funding levels for this period of policy transition. The period between 2021-2024 will be critical for trialling and testing new approaches and transition to a new system should start in earnest from 2024 onwards. By 2028, the new pattern of funding should be established, the delivery systems for this funding be fully operational and all farm or other eligible land-based businesses have transitioned to this new system.

2. Our vision

In our 2017 paper we set out our vision for sustainable land use; we have refreshed and restate it now in the context of both the climate and biodiversity crises and the need for a green recovery out of the Covid-19 pandemic. Our vision is for a thriving countryside where:

- all farmers and land managers contribute to achieving the protection, restoration and enhancement of Scotland's biodiversity and landscapes by 2030;

- land is used and managed in ways that contribute to Scotland achieving GHG emission reductions (compared to 1990) of 70% by 2030 and net zero emissions by 2045, including through the adoption of nature based solutions, and which ensures farms and other land-based rural businesses are resilient and adaptable to climate change;

- a clean, healthy and wildlife rich environment and attractive landscapes are regarded both as an asset to society and essential for underpinning economic activity such as farming, forestry, agro-tourism and tourism more widely;

- sustainable farming is at the heart of a food system in Scotland that contributes to providing adequate supplies of healthy and nutritious food that is accessible for all Scottish citizens;

- people live and work and rural communities are sustained, with opportunities for young people to work and manage the land, and where new entrants to traditional sectors are encouraged and supported;

- a broad range of land use and rural business activities offer good livelihoods and employment opportunities. Those who manage the land secure a fair return from it, whether producing traditional products such as food and timber or delivering public goods or both;

- the full range of ecosystem services land provides are recognised and valued for their contribution to our economy and to society;

- land is used and managed in more integrated ways in order to deliver multiple outputs and benefits wherever possible.

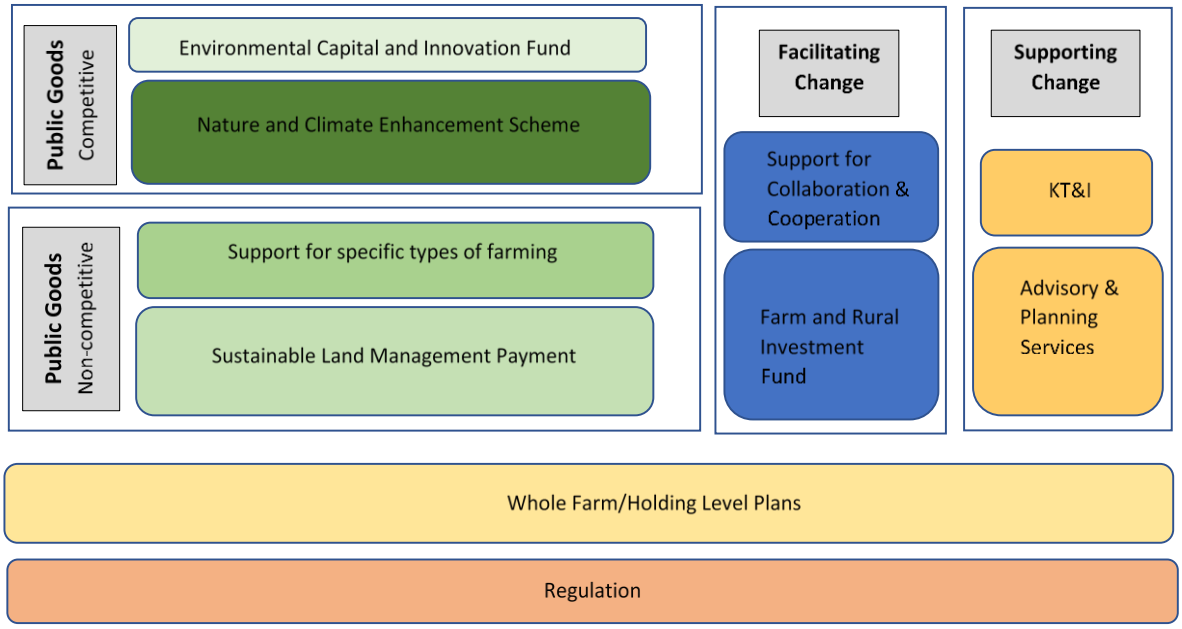
3. Components of a new system of rural support

A new system of farm and rural support must help to make the above vision a reality. We propose three main components necessary to achieve it:

1) Funding to achieve the delivery of ***public goods*** as a priority, given these are under-provided by markets and there is a clear logic for Government intervention. This is vital to ensure value for taxpayers' money when public finances are limited.
2) Support to ***facilitate change*** which could include support for innovation and market development, for cooperation and facilitation, for adding value and building shorter supply chains, amongst others. This recognises that markets are both changing and challenging and support is required to help farmers, crofters and other land-based businesses improve profitability and enhance market returns from whatever they produce.
3) Investment in ***supporting activities*** including research, knowledge transfer, advice and training to help drive the adoption of sustainable farming practices, improve knowledge and skills and help businesses to innovate.

Figure 1 illustrates the building blocks of this new system of rural support. As noted earlier, we see Regional Partnerships and Regional Land Use Frameworks as having a key role to play in helping to prioritise needs and then target and direct, at regional level, the public funding that would be available for this new system of support. Farm or holding level plans are discussed in Section 4.4 and are the means by which any business would access the funds available at regional level. Collaboration or cooperation between businesses working to deliver landscape or catchment scale plans or for processing and marketing or other business development initiatives, could be encouraged.

Figure 1: Building blocks of a new system of farm and rural support



4. Building a new system of support

4.1 Public Good Measures

4.1.1 Non-competitive measures

4.1.1.1 Sustainable land management payments

These non-competitive, optional payments would be open to all land managers and would pay for land management interventions where:

- There is relative certainty of positive impacts;
- Where they do not require a specialist plan;
- Where it is easy to specify management practices to deliver outcomes irrespective of regional or local contexts;
- Where there is low/no risk of negative impact; and/or
- Where deployment of these management activities at a landscape or catchment scale is beneficial.

In broad terms, they would include measures designed to:

- protect soil, air and water resources
- reduce GHG emissions
- maintain wildlife habitats and landscapes
- ensure soil testing, nutrient management plans, carbon audits

More specifically, non-competitive interventions could include:

- Field margins (such as flower-rich/species rich margins/field corners, riparian buffer strips)
- Field cover (such as cover crops, arable rotations, companion cropping, leys)
- Grassland and upland interventions such as scrub management, species-rich grassland management (but not creation), pond and scrape creation and management, supplements for low-intensity farming, e.g. haymaking, cattle grazing
- Arable measures aimed at reducing emissions, e.g. improved soil management and cultivation practices, change from winter to spring-sown varieties, cover crops, nitrogen-fixing crops in rotation, increasing soil organic matter content, maintaining water levels in peat soils, minimum- or no-tillage cultivation.
- Targeted, small-scale agroforestry below a certain tree density and other small-scale woodland
- Nutrient management (including manure management)
- Pest management (such as Integrated Pest Management)
- Livestock management (such as improving feed efficiency of livestock through targeted breeding to reduce ammonia emissions, limiting grazing to avoid compaction and run-off)

Restrictions will be required on the amounts of individual options that can be applied for, as well as an overall ceiling for funding for individual businesses. To ensure this payment helps to underpin the basic viability of small-medium sized farms and crofts it would be possible to construct payments in such a way as to, for example, weight the first 20 hectares, then 50,

then 50-100 and then set an overall ceiling on payments above that e.g. at £50,000 per business.

4.1.1.2 Support for specific types of farming that benefit the environment

This component includes payments to support conversion to and existing organic and other agro-ecological farming systems (based on the known benefits they provide). It is also intended to support the continuation of, and transition to, High Nature Value (HNV) farming and crofting systems, especially in the uplands and more marginal farming areas. Whilst significant areas of HNV farming and crofting remain e.g. on the machair land of the Western Isles, and require support to maintain them, changes in farming systems and practices also mean that some such farms and crofts are no longer HNV but have the potential to become so again under the right management.

High Nature Value farming and crofting

Some land management systems are inherently environmentally sensitive, and their continuation is often crucial for the environment. This includes HNV farming and crofting, and organic farming. HNV farming tends to be concentrated in upland and marginal farming areas and often (though not always) used to describe extensive, low-intensity agriculture found predominantly in the Highlands and Islands and parts of east Scotland, the Borders and Dumfries and Galloway. These tend to be the least economically viable areas in an agriculture sense but are some of our most environmentally rich regions.

High Nature Value land is defined by the European Commission as:

a) Land with a high proportion of semi-natural vegetation;
b) Land that is characterised by low-intensity management mixed with natural and structural features; and/or
c) Land that supports populations of rare or threatened species.[i]

HNV farmland tends to be associated with those more remote rural communities where land management plays a big role both socially and economically, and where communities are sustained by the multiple benefits of land management, including farming and crofting, tourism and forestry. These places and communities face some of the greatest economic constraints in earning a viable living from the land. As such, there is both an environmental and socio-economic rationale for supporting some of these areas to continue delivering environmental public goods and sustaining vibrant rural communities.

Support for marginal farming areas has, up to now, been seen as being delivered via the Less Favoured Area Support Scheme (LFASS). However, evaluations of the LFASS scheme show that it is a crude measure that is poorly targeted towards preserving environmental or social benefit and lacks clear justification.[ii] While the Less Favoured Area map covers 85% of Scotland, farming that is truly high-nature value is much less widespread, (likely not as widespread as the existing Scottish HNV indicator suggests due to changes in farming practices in recent years) and LFASS payments are not based on any test of environmental value.

Rather, eligibility for HNV funding should be based on whether a farm or croft meets certain criteria. As such, we propose a system where holdings can apply for HNV classification. For farming and crofting, this would be open to holdings with, for example, inputs below certain specified thresholds, which have a specific proportion of rough grazing, who adhere to preserving landscape features and specified nature-friendly or agroecological practices, and

commit to these in return for payments. Holdings that do not currently meet the criteria can also apply to become HNV classified within an implementation period e.g. 2-3 years, similar to the idea of organic conversion. A proportion of payment would be received for this period after which time they would be eligible for the full payment. Required nature-friendly farming practices would differ from location to location, depending on desired environmental outcomes, but would all commit the holding to farming according to agroecological principles.

Such payments would be an incentive to maintain crucial low-intensity farming systems which underpin Scotland's rarest habitats and species, or for land managers to diversify their business by committing to environmental management as an integral part of farming operations. This would continue to bring money into remote rural areas, align with a public money for public goods rationale, and support other policy goals, like nature tourism, which add significant income to rural areas. These payments would be supplementary to Sustainable Land Management Payments and efforts would need to be made to avoid double funding.

Organic farming

Organic farming is a system of farming that seeks to work with natural processes and the ecology of the farm. Its standards are under-pinned by regulation, compliance with them is independently inspected and verified and the organic logo has substantial consumer recognition. Artificial fertilisers are banned and farmers develop fertile soil by rotating crops and using compost, manure and clover. Scientific research has demonstrated the benefits of organic farming for wildlife; wildlife is 50% more abundant on organic farms[iii] and farms have, on average, a third more species, including more rare species[iv]. This is more the case in intensively managed landscapes than less intensively managed ones. A recent study has also shown that organic crops are up to 60% higher in a number of key antioxidants than conventionally-grown ones[v]. The researchers suggest that switching to eating organic fruit, vegetable and cereals – and food made from them – would provide additional antioxidants equivalent to eating between 1-2 extra portions of fruit and vegetables a day.

In Scotland, the area of organic land has been declining steadily in recent years and in 2017 only 2% of farmland was managed organically[vi]. Increasing the area of land farmed organically, especially in the more intensive arable and dairy farming areas, and increasing the production of organic crops, fruit, vegetables and dairy produce in Scotland could yield a range of environmental and health benefits. In many other European countries, the organic sector has developed rapidly in recent years and Scotland risks lagging behind as the markets for organic food continue to grow. Austria has 19% of its Utilisable Agricultural Area managed organically, Sweden 15.7% and Estonia 14.1%. Some countries such as Denmark have set targets for organic farming in order to drive expansion; Denmark aims to reach 15% of farmland managed organically by 2020.

Support for both conversion to, and maintenance of, organic farming systems is required as part of non-competitive measures.

4.1.2 Competitive measures

4.1.2.1 Nature and Climate Enhancement Scheme

This funding stream should be significant and important as it is envisaged as the main delivery mechanism for the management, restoration and enhancement of functioning ecosystems throughout the country. These options should have the scope to generate a significant and wide range of public goods. These should include improved water quality, flood prevention, carbon sequestration and storage, biodiversity and landscapes.

This funding stream will be the primary source of funding for priority species, habitats and the management of designated sites and protected areas.

This scheme should operate with longer term timescales (10 years recommended) and should have a significantly enhanced level of ambition compared with previous agri-environment schemes. Where possible, options should have an element of outcomes based, targeted funding with scope for land managers to take the lead on delivering successful outcomes.

Funding should aim to be delivered at large (landscape/catchment) scale and will require a significant amount of facilitation and advice (see sections 4.2.1 and 4.3.2).

All financial support for upper funding tiers should require the production of an environmental plan covering habitat, species, water quality and carbon/greenhouse gas emissions and soils.

These competitive interventions could include (but not limited to):

- Species-specific management (e.g. for corncrake, chough, waders)
- Management of specific habitats such as wetland, heath, habitat mosaics, species-rich grasslands
- Specialist moorland management plans
- Creation/restoration of specific habitats such as species-rich grassland, wetland, peatland, floodplain, coastal saltmarsh.
- Larger scale native woodland creation and natural regeneration
- Larger scale native woodland agroforestry
- Conservation grazing
- Management of invasive non-native species
- Nature led ecosystem restoration (rewilding)
- Rewarding management of conflict species (beaver, sea eagle, geese)
- Tree, shrub and/or hedge planting
- Instream/river and on-land interventions to mitigate flooding and to manage sediment for water quality
- Education infrastructure, events and services
- Peatland restoration
- Catchment scale water quality and habitat restoration

While there are still gaps to be addressed, common management options in agri-environment schemes, if deployed appropriately, are tried and tested to deliver

environmental outcomes. However, management options, while an important guide, should not limit innovation and variation. Therefore, additional management routes which propose holistic management should be available, including:

- 'Specialist management plan produced by an ecological advisor'
- 'Innovative nature-based solutions to climate change'
- 'Integrated pest management'
- 'Innovations in agroecological approaches'

Success of both non-competitive and competitive public goods payments are contingent on several factors: robust and fine-tuned targeting, adequate advice provision, and meaningful payment rates. In addition, a number of other factors may increase uptake, such as monitoring and feedback to land managers to celebrate achievements.

4.1.2.2 Forestry and Woodland

More trees, hedges, woods, forests and scrub form part of our vision for the future given the nature, carbon, water management and amenity/recreation benefits these habitats can provide. ***Payments for both the management of existing such habitats and for expansion are included in our proposals for public goods measures, both non-competitive and competitive.*** This includes the need to support different planting models including agro-forestry and other farm woodlands. We see support for commercial woodlands and forests, managed primarily for their timber or other fibre outputs as being dealt with through separate funding arrangements if the use of public funds or other fiscal measures are deemed necessary to incentivise them on economic grounds. In all cases, any support given should be subject to the beneficiaries complying with underpinning environmental regulations and standards (as for all rural payments and support). A more strategic approach to the location of new woodlands and forests is also needed to avoid conflicts with other land uses or damage to existing habitats of biodiversity value e.g. open grasslands supporting populations of breeding waders such as curlew and lapwing. We see Regional Land Use Frameworks and Whole Farm Plans as having key roles to play here.

As warned by the CCC[vii], new tree and woodland cover must, avoid being double counted as carbon mitigation – for instance, as a carbon sink at the farm level, and included again in the overall forestry cover in the carbon inventory. New tree and woodland cover deployed on farms and crofts as part of a climate change mitigation plan must take account of the long-term storage of carbon and opt for species and uses that optimise this[viii]. Such plans should be developed in accordance with strong principles to ensure climate change mitigation is effective, just, and sensitive to other priorities such as biodiversity[ix].

4.1.2.3 Environmental Capital and Innovation Fund

This option would fund specific options that require capital intervention with no requirement for annual management payments. These options would be targeted at biodiversity, water quality, carbon storage and landscape interventions and could include (but not limited to):

Watercourse channel restoration, pond and wetland creation, steading and in-field diffuse pollution measures, small woodland and hedge planting, creation of riparian woodlands, agroforestry.

Securing long-term changes may require the introduction of other financial instruments. For example, *conservation easements* are long-term agreements between two or more parties (e.g. the Scottish public and a land manager or owner) for handing over the rights associated with land ownership, while the landowner retains the legal ownership in exchange for regular payments. This differs from traditional agri-environment-type payments in that the payment is for the control of the land management, rather than for specific management arrangements.

In particular, conservation easements would allow for non-management to deliver public goods. In some situations, on e.g. peatland habitats, the livestock density to best manage the peatland and maintain carbon storage may be relatively low[x]. In these types of situations, the rights for the land to be left with minimal active management could be paid for in a long-term agreement.

Rayment (2019) explores other long-term financial instruments for agreements that are 30, 50, or even 100 years old, such as conservation covenants (similar to conservation easements) and tax incentives. Different payment structures to incentivise public goods delivery in the long-term, include results-based top-ups and up-front lump sums.[xi]

4.2 Investments to facilitate change

4.2.1 Support for collaboration and co-operation

Support for facilitation, collaboration and cooperation should consist of enhanced advice or support for facilitation to groups of land managers for working together at a landscape scale to deliver environmental benefits, to improve processing and marketing at a local level, or to make efficiency gains by working together.

Better collaboration and co-operation among land managers has several benefits:

- Ensuring coherence in approaches to deliver public goods across a landscape scale;
- Avoiding contradictions and perversities in funding across a landscape, local area or region, thereby ensuring greater value for money;
- Lightening the financial load for land managers where they can share in costs;
- Creating a more supportive and social, and less isolated working environment for land managers across Scotland. This is especially timely with the focus on rural mental health and the struggles that farmers, crofters and other land managers face with social isolation.[xii]
- More cohesive landscape management.

Available support could take different forms. For example:

- A scheme similar to the Environmental Co-operative Action Fund (which was developed by Scottish Government but never introduced), which supports the activities of groups of farmers to carry out collaborative land management at a landscape scale. Crucially, this scheme should be able to fund the employment of a facilitator, to shape and nurture the project at early stages.

- Access to site-specific group advice for cooperating land managers to optimise their delivery of public goods, collaboration in processing and marketing, or support each other for better efficiency.
- Support for a facilitator to set up cooperatives or producers organisations.

As for environmental management, greater cooperation or collaboration can yield economic and income benefits; in the case of supply chains, farmers working together can shift the buyer-seller relationship and potentially lead to improved market returns. Taking things further, farmers have the option to cut out the middle-men and sell direct to consumers thereby gaining the full value of every consumer pound spent. This is clearly not an option for every farm or for some types of produce but growth in farmers markets and farm shops, including novel approaches such as 'farm shops' located in towns and cities (perhaps operated by farming cooperatives), could be a way to expand direct sales. As well as requiring support for collaboration, businesses venturing down this route will also benefit from funding via a Farm and Rural Investment Fund.

4.2.2 Farm and Rural Investment Fund

This component of our proposal includes public investment to support the adaptation and development of land-based businesses and encourage wider rural development. This is likely to mainly take the form of one-off capital investments and grants. There may also be scope for other financial mechanisms such as loans and tax breaks to play a role here. New entrants and young farmers could be supported via this route helping them to secure the necessary resources to start up new enterprises. A fund could be created with a quarterly application window and applicants could bid for funds, supported by completion of a whole farm environment and/or a business plan depending on the nature of the proposal. Aid could be given for:

- activities to improve environmental performance and sustainability e.g. energy efficiency measures, on-farm renewables, IT and machinery required to reduce inputs such as pesticides and fertilisers;
- diversification projects and proposals to develop new income streams or improve business efficiency and profitability e.g. food processing, tourism, novel products;
- purchasing machinery, IT or physical infrastructure such as new buildings or equipment for processing produce.

Grant aid/funding could be capped (total amount or proportion of total project cost), targeted at specific types of activities or size of enterprise e.g. small-medium or types of applicant. Loans at preferential rates could also form part of the mix.

Such a Fund could re-energise farms and other land-based rural businesses or other enterprises. In future, we believe our land should produce a diversity of goods and services and we need to find ways to value all of these, both public and market goods. Regarding the latter, what is produced currently on farmland in Scotland is a relatively narrow suite of foodstuffs. Farms themselves are increasingly specialised, producing only one or two types of commodity. Whilst the climate and land capability constrain what can be produced in some places, there is potential to produce a greater diversity of products both at farm and regional level. This could have a number of benefits not least of which would be to make farms more resilient and less vulnerable to price volatility in any one commodity. It could

also help to make farms more resilient in the face of climate change and our overall food system more resilient and secure.

More effort is needed to help farmers identify new or alternative markets, diversify what they produce and, ultimately, become less dependent on income support payments. Very few farm businesses in Scotland (c. 2-3%) process and add value to the raw materials they produce, opting to sell their produce on to others in the food supply chain. This has a number of impacts, not least if which is to ensure that farmers receive a low share of the final consumer pound spent on food. It also means that the majority of farmers are disconnected from the consumers of what they produce and poorly understand consumer requirements. More farmers need to be encouraged, supported and up-skilled to process, add-value and directly sell their produce, with an emphasis on supplying local and domestic markets. Supporting measures will provide this aspect of support, whilst the Farm and Rural Investment Funds could provide capital investment and grant aid. As well as having the potential to improve farm viability, we also believe greater progress in this area could have social and environmental benefits, helping to connect people to what they eat, where it comes from and how it is produced and reducing food transportation. We consider there is great potential for those farmers producing food in environmentally friendly ways to use this in their marketing and branding.

Much of the food produced in Scotland is sold as raw commodities to businesses located elsewhere, often outside of Scotland, which process and add-value to it. This means lost revenue for Scotland's economy and fewer jobs in the food sector than might otherwise be the case. Greater capital investment in the establishment of infrastructure such as small-scale abattoirs, grain mills, dairies and other processing facilities is required to build capacity locally and retain more of the value-added from what we produce. This should contribute to shorter supply chains, less waste and less food transportation.

4.3 Investments in supporting activities

4.3.1 Knowledge Transfer and Innovation

Similar to the current Knowledge, Transfer and Innovation Fund (KTIF) scheme in the SRDP, we see a need for funding to support knowledge transfer, training and skills development for farmers, crofters and other land managers. Funding levels need to be significantly greater than now. Currently only 27% of farmers in Scotland have any formal agricultural training. This seems very low for a sector that needs increasingly to embrace innovation and new technologies, be more market orientated and adopt greener farming methods. Much higher rates are likely to be required if the sector as a whole is to undergo transformational change. For those who do receive formal training, the environmental content of courses is often very limited or treated as optional. Environmental management must be put at the heart of formal qualifications, training courses and CPD requirements if farmers, crofters and land managers of the future are to be better equipped to deliver environmental outcomes.

4.3.2 Advisory and Planning Services

Targeted advice for farmers, who are then supported with the delivery and follow through of appropriate measures, is a highly effective method for delivering on conservation and climate targets in agriculture. We would like to see the following measures:

- Enhanced package of support for farming advice in Scotland with a significant increase in budget, supporting an increase in the number of advisors.
- Upskilling of advisors to enable the delivery of whole farm management plans (see section 4.4), incentivise advisors to increase knowledge and skills (see Irish example below) and strengthen links to Regional Land Use Frameworks.
- Accreditation of environmental advisors to deliver specialist advice
- Investment in regional hubs to allow for region specific advice and a 'one stop shop' for farmers to receive various forms of advice

Government funded advice to farmers is predominantly delivered through the Farm Advisory Service (FAS), part of the SRDP. With an annual budget of £4.6m, the FAS operates through two external contracts; SAC Consulting which delivers '1 to many' advice, whilst Ricardo Energy and Environment delivers '1:1' advice. SAC has 375 employees made up of consultants, veterinarians, technicians and support staff [xiii].

Additional advice is available to farmers through a wide range of private and NGO providers. For example, RSPB Scotland delivers advice through its farming advisory service[xiv], whilst the Scottish Farming and Wildlife Advisers' Group (ScotFWAG) is a professional association of advisors which promotes high quality farm conservation advice and collaborative working[xv].

Specialist and well-funded advice is key to ensuring Scottish agriculture works in tandem with nature. A successful example of this is RSPB Scotland's work with corn buntings in Fife and Angus. Targeted advice on farm management schemes focused on increasing their numbers has led to a dramatic surge in both population and range. In Fife for instance, their numbers have more than doubled from 75 in 2001 to over 160 recorded in 2018. The targeted, specialist face-to-face advice given to farmers involved in corn bunting conservation was key in their recovery.

Farming advice services in Europe offer useful examples for inspiration:

- Denmark has a two layered service, with the research centre (SEGES) employing over 650 people and the advisory service (DLBR) compromising 31 local advisory services[xvi], providing a comprehensive link between research and advice with specialised departments e.g. organics.
- Innovatiesteunpunt in Flanders (Belgium) consist of 20 consultants who share best practice, support pilot projects and organise training days/brainstorm sessions and innovation days on topics from climate-friendly farming to sustainable energy[xvii].
- Ireland's extensive advisory service Teagasc has 1,100 staff (240 advisors), with 55 offices in 12 regions offering their services to Irish farmers. Services include the 'Sustainability Support and Advisory Programme[xviii]', a programme set up to train 30 Agricultural Sustainability Advisors who can proactively work with and advise famers on how to protect and improve water quality sustainably.

It is essential that plans are produced to a high standard by well-qualified advisers. Improved provision of advice will require an upskilling in the current advisory sector (see section 4.3.1). It is recommended that a system of accreditation of environmental advisory support is introduced in order to help ensure a high standard of advice provision and to incentivise advisers to increase skills and knowledge in this sector. For example all members of ScotFWAG are accredited to a high standard through membership of the Chartered Institute

of Ecologists and Environmental Managers (CIEEM) or the Institute of Agricultural Engineers (IAgrE). Members are expected to have, or be working towards, Chartered Environmentalist status. Opportunities for developing in new, skilled advisory capacity should also be considered.

We believe the idea of regional advisory hubs could be developed through a pilot approach. This would involve bringing together existing advisory capacity – both public and private sector – at regional level and enhancing it through additional funding to create a one-stop-shop source of advice and support for farmers, crofters and other land managers. As well as supporting the production of whole farm plans, advisors based in these hubs (or satellite locations from them), could also be involved in the facilitation of landscape-scale projects and farmer collaboration and in knowledge transfer activities. This would include training courses and other CPDP activities being delivered through such hubs. In due course, the services provided here could link with Regional Land Use Partnerships being developed and helping to deliver the priorities identified in Regional Land Use Frameworks.

4.4 Whole farm/holding level plans

The overall ambition is for all holdings to have a **core environmental plan** to underpin all future support payments. This plan would be practical and relevant, and would ensure that the environment underpins all aspects of planning. This would be based on the following:

- There should be a tiered approach to support payments with the appropriate level of planning for each level.
- Plans are based the priorities for of the individual holding, guided by local, targeted priorities.
- Plans delivered by suitably qualified, skilled advisers and farmers / land managers with appropriate skills.
- Plans are produced with an emphasis on land manager input and involvement to promote ownership of the desired outcomes.
- The planning approach makes effective, efficient use of a single, integrated IT platform that holds relevant, holding level, information based on an online mapping tool.
- Measures to support land managers with implementation of plans – particularly access to ongoing advice and support - are available

Lower Tiers

Advisory support for lower tiers of funding should focus on a basic plan requirement. This basic plan would utilise information on workable integrated IT platform. It would focus on farmer self-assessment linked to a compulsory training requirement. This would involve ‘one-to-group’ advice linked to the relevant needs of the land use type. This could include attendance at farmer meetings, monitor farms themed events, and online training events. It should be linked to a compulsory CPD requirement.

Upper Tiers

The production of detailed plans should initially focus on those seeking higher level support payments. All financial support for upper funding tiers should require the production of an environmental plan covering habitat, species, water quality, carbon/greenhouse gas emissions and soils. The plan would include a comprehensive assessment of all aspects the holding's environment and underpin any application for funded management. It should draw on previous plans such as agri-environment, Integrated Land Management Plans (ILMPs) and whole farm plans.

The plan would be based on existing information, data and local priorities, and would be combined with a walkover survey and land manager discussion. Priorities for the next 10 years would then be agreed with the land manager. The plan would be based on local / regional priorities set by RLUPs (or similar) and be well integrated with land manager priorities and farm type / farm environment.

Specialist Plans for Upper Tiers

In addition to the core environment plan, other specialist plans should also be supported under a future advisory support scheme. Similar to the current ILMPs, these could include specialist advice on business planning including diversification, succession planning, and business structure. This should be based on a review of the strengths / weaknesses of the current ILMP system.

The core environmental plan would inform all future applications for public funding. Funding should only be available for options that fit with local / regional priorities and the local environment.

Advice Provision

It is essential that plans are produced to a high standard by well-qualified advisers.

Ongoing advice and support will be essential if plans are to be successfully implemented. This supporting role could be delivered by SGRPID, SEPA and SNH staff as well as private organisations. Provision of free / low cost advisory support has the potential to significantly improve scheme delivery value for money. This could include free online / telephone advice and access to funding for mid-term scheme review visits. Scheme review visits could also be made mandatory for higher value / risk schemes, or schemes with compliance issues.

Linking Plans to Regional Land Use Priorities

Whole farm plans would be informed by local / regional priorities identified through proposed regional land use frameworks (RLUFs). RLUFs will identify opportunities at the regional and local level to deliver against national land use priorities, before moving to identifying opportunities for delivery through whole farm plans. The Land Commission could play a key role here, providing a national oversight of the process. Delivery will ultimately depend on targeting and allocation of financial subsidies and advice, supported by regulation where necessary. Regional partnerships, through RLUFs could provide the evidence and recommendations to inform allocation of these resources at the regional level, linking to local delivery. In this way, land managers, having been involved and bought into identifying priorities at the regional level, can see what opportunities exist on their own land

to deliver against these priorities and have a route to access financial support, whether public or private investment.

4.5 Regulation

All future farming activity must be underpinned by baseline regulation, including where farms are not in receipt of support payments. There is a substantive body of EU and domestic legislation in force relevant to farming, crofting, forestry and other land uses that is designed to protect public interests and meet societal expectations. This spans a wide range of issues from food safety, animal welfare, nature conservation and water quality, to name just a few. It is vital that we retain the requirements and standards of this legislation, whatever the future holds, and resist any calls for the removal of such requirements. However, the regulations are currently weak on securing the emissions reductions required to meet Scotland's net zero target and we believe they need to be strengthened in this regard.

This strengthened regulatory baseline must be coupled with effective enforcement and appropriate sanctions to ensure compliance. 7Appropriate inspection regimes must be in place to achieve this. We support improved application of the Polluter Pays Principle in Scotland. ***It should also be a condition of receiving public payments or grant aid, of the types described in the preceding sections, that beneficiaries are compliant with all relevant legislation and are subject to penalties or required to pay back funding received where serious breaches occur.***

This legislation protects public interest and underpins Scotland's brand for quality food and other products and facilitates trade and sales to consumers, both here and abroad. Setting off a 'race to the bottom' in terms of regulations and standards is in no one's interests, not least Scottish farmers.

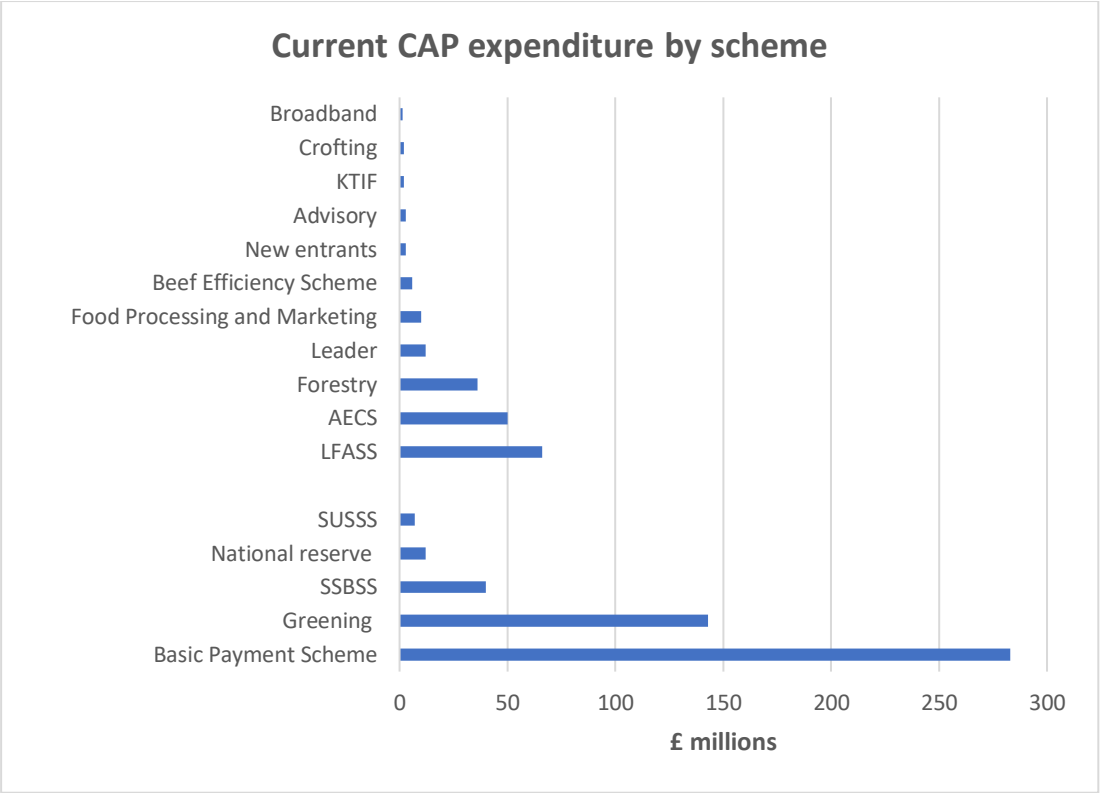
The Land Rights and Responsibilities Statement outlines the responsibilities that come with the ownership, use and management of land and should be applied in this context. In particular, Principle Four states that "[t]he holders of land rights should exercise these rights in ways that take account of their responsibilities to meet high standards of land ownership, management and use. Acting as the stewards of Scotland's land resource for future generations they contribute to sustainable growth and a modern, successful country."

5 Transitioning from the current CAP to a new support regime, 2021-2027

Change cannot happen overnight; businesses currently highly dependent on one support regime need to be given time to adjust and adapt to a new system that supports them based on different objectives and designed to deliver different outputs. This requires a period of transition. As we highlighted in our introduction, we see this transition taking place between 2021 and 2027 with a new system in place from 2028 onwards.

We believe Scotland's rural areas, and land management and land-based businesses in particular, require on-going public investment. We wish to see the Scottish Government commit to maintaining at least current funding levels c. £670 million for the period of policy transition. Figure 2 shows the current allocation of CAP spending:

Figure 2: Current CAP expenditure by scheme



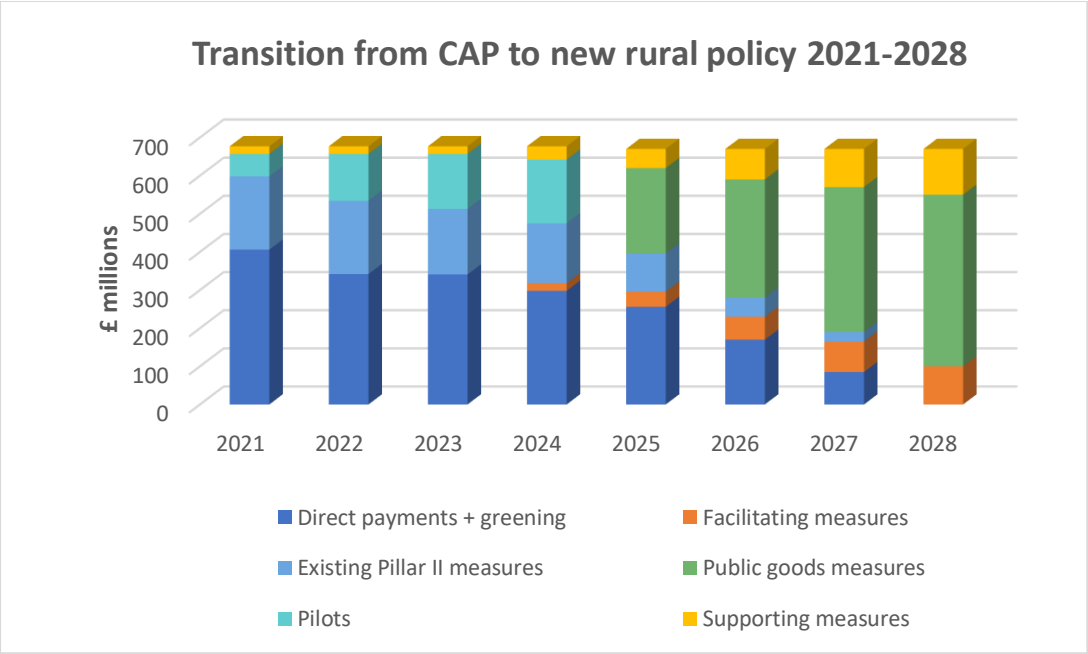
We see the period between 2021-2024 as critical for trialling and testing new approaches with faster transition to a new system beginning in earnest from 2025 onwards. By 2028, the new pattern of funding should be fully established, the delivery systems for this funding be fully operational and all farm or other eligible land-based businesses have transitioned to this new system.

The main transition phases would consist of:

- Direct payments and other Pillar I support being phased out over the 2021-2027 period in a series of steps, requiring detailed modelling, and continuing schemes within the current Pillar II (SRDP) in the early years, then gradually closing them and phasing out as individual agreements etc come to an end.
- Using reductions in direct payments in the early years, designed through a system of progressive capping to fund a series of pilots.
- Pilots would be used to trial and test different aspects focused on:
    - Measures for individual farms e.g. sustainable land management and specific types of farms components
    - Measures for groups and sectors e.g. environmental co-operation and facilitation
    - Testing out component of the new system e.g. whole farm plan concept
- Shifting some of current Pillar I and II funding into new schemes and measures, starting at low levels from 2021 for some elements such as advisory services and other aspects of Supporting Measures and moving rapidly after the pilot phase is over from 2025.

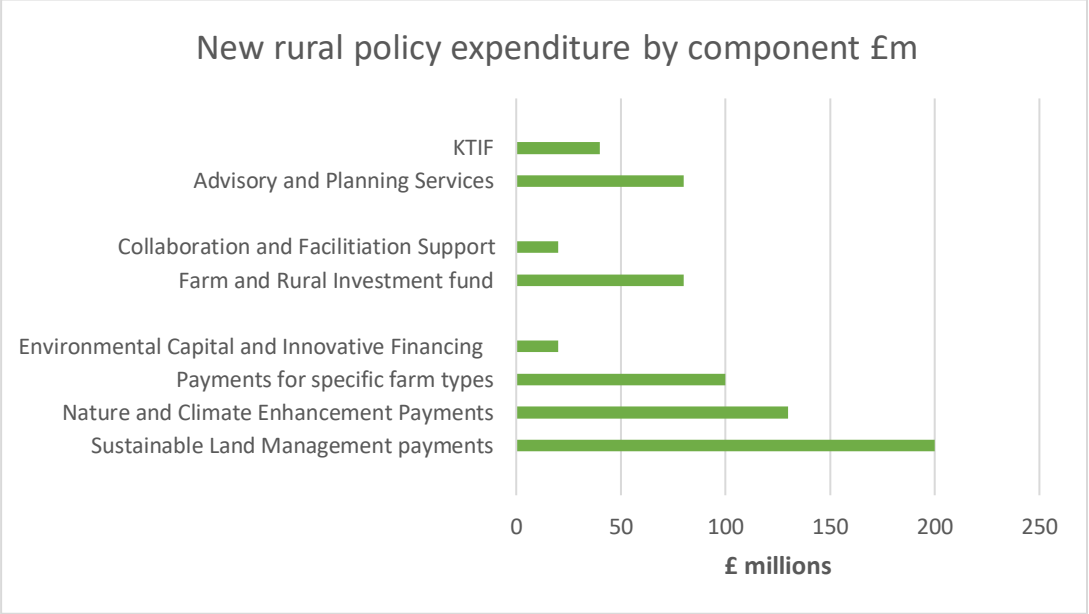
Figure 3 gives an indicative illustration of how this transition could take place between 2021 and 2028. Much more detailed financial modelling would be required to understand the implications for sectors and different regions of Scotland. Implicit in our proposals however is a significant redistribution of support from the current situation, with future funding patterns much more closely reflecting the delivery of specific objectives and outcomes. Some structural re-adjustment within the farming sector is therefore unavoidable and, in many cases, highly desirable:

Figure 3: Indicative transition from CAP to a new rural policy 2021-2028



By 2028, the new allocation of funding to the three main components of our proposal would be as shown at Figure 4.

Figure 4: New rural policy expenditure by main components and payment types in £ millions



6 Benefits of the new system

If we retain a substantial level of investment in Scotland's rural areas but reshape how that money is spent, focusing it on the delivery of public goods and helping businesses adapt and develop, then there is real scope for renewal over the next decade and more.

For business, this would mean:

- Farmers, crofters, foresters and other land managers rewarded for the full range of goods and services they provide, not just what the market pays for.
- Existing land managing businesses helped to become more profitable and sustainable, improving efficiency, reducing input costs and enhancing income streams through diverse activities.
- The opportunity to focus on producing high quality goods such as food and timber, adding value wherever possible, to sell to both domestic consumers through shorter supply chains and for export elsewhere.
- The support to enable new farming businesses and other enterprises to become established and thrive, creating employment and income streams.

For the environment, this would mean:

- Protected areas (our best nature conservation, landscape and cultural heritage sites) are in good condition and well cared for, ensuring the many benefits they provide are sustained for future generations.
- The emissions of climate warming GHGs from farming and other land use activities are significantly reduced and land is managed and used in ways that make a much more effective contribution to climate change mitigation and adaptation e.g. maximising carbon storage in soils, reducing flood risk and deploying Nature Based Solutions.

- Declines in wildlife have been halted, damaged and degraded habitats have been restored and new habitats created.
- Soil, air and water resources that underpin food and timber production, and are the foundation of healthy ecosystems, are in good quality.

For society, this would mean:

- Taxpayers' money spent transparently, more effectively and with demonstrable effect, delivering wide ranging benefits for us all.
- A wildlife rich countryside and attractive landscapes for people to visit and enjoy, enabling them to reap the many mental and physical health benefits that a quality environment provides.
- A more dynamic and vibrant rural economy with land based and other rural businesses, such as tourism and recreation, food processing and marketing, creating jobs and income streams and making rural areas attractive places to live. The choice for consumers of domestic supplies of food, timber and other market goods from our land that are of high quality and produced sustainably.

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Glossary:

CAP – Common Agricultural Policy

CCC – Committee on Climate Change

CIEEM – Chartered Institute of Ecologists and Environmental Managers

CPD – Continuous Professional Development

DLBR – Danish Agricultural Advisory Service

EU – European Union

FAS – Farm Advisory Service

GHG – Greenhouse Gases

HNV – High Nature Value

IAgrE – Institute of Agricultural Engineers

ILMPs – Integrated Land Management Plans

KTIF – Knowledge, Transfer and Innovation Fund

LFASS – Less Favoured Area Support Scheme

NGO – Non-governmental organisation

RLUFs - regional land use frameworks

RLUPs – Regional Land Use Partnerships

ScotFWAG – Scottish Farming and Wildlife Advisers' Group

SEPA – Scottish Environment Protection Agency

SGRPID - Scottish Government Rural Payments and Inspections Directorate

SNH – Scottish Natural Heritage

SRDP – Scotland Rural Development Programme

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