



## Summary

- The recently published Scottish Budget 2021-22 shows that the budget for the Agri-Environment Climate Scheme (AECS) has been cut from £42.7m to £34.2m. The AECS funding was already insufficient to secure the scale of uptake by farmers needed to address declines in farmland wildlife and help tackle climate change. This cut makes matters significantly worse.
- In the context of a nature and climate emergency, at a time when farmers and crofters are facing continued uncertainty with post-EU arrangements and the lack of direction on future rural policy, **it is vital that the budget for AECS is increased from previous levels to £80 million to allow the scheme to reopen fully and more farmers to be offered new agreements.**
- If the budget cut proceeds, taking agri-environment funding down to just 6% of total farm support, many farmers and crofters with existing agreements that end this year will be unable to renew them. This will result in devastating consequences for many of Scotland's precious species and habitats and hampering farmers' efforts to address climate change.
- Both the farming industry and environmental groups have been calling for greater support for nature and climate friendly farming for some time now. This budget cut sends exactly the wrong signal to farmers and crofters at a time when they want, and need, to take action.

## Budget cuts and AECS

**AECS is a funding scheme which supports nature and climate friendly farming methods on farms and crofts across Scotland.** It is part of the Scotland Rural Development Programme – Pillar II of the CAP – and along with other CAP schemes should continue as part of retained EU law, until such time as the Scottish Government makes changes and introduces new rural policy. The Agriculture (Retained EU Law and Data) (Scotland) Act 2020 gives Ministers the powers to 'simplify or improve' CAP legislation. It is difficult to see how this year's proposed format for AECS or the budget cut represents either.

The recent Climate Change Plan update commits to "ensure that rural support enables, encourages and where appropriate requires the shift to low carbon sustainable farming"<sup>1</sup> but the proposal in the Budget significantly reduces the only pot of money that is specifically targeted at nature and climate outcomes. This sends mixed signals and could further delay or derail early action from the many farmers and crofters who want to get on and deliver.

Farmers apply to AECS and, if successful, are awarded with five-year agreements and receive annual payments for various activities. This might include creating and managing hedgerows, providing more habitat for on-farm pollinators and restoring peatlands; activities good for biodiversity that can also

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<sup>1</sup> Scottish Government, 2020. [Update to the Climate Change Plan 2018-2032](#). p.15

help to address climate change. AECS also helps protect bird species associated with farmland such as corncrakes, corn buntings and waders as well as a wide range of plants, insects and mammals. It includes payments to secure appropriate management of designated nature conservation sites and it provides the funding for organic farming, both conversion to and maintenance of.

Farmers and crofters' representatives, along with a wide range of other stakeholders, have been calling for the continuation of AECS in the next few years until new schemes and approaches are developed. The Farming and Food Production – Future Policy Group, established as the behest of the Scottish Parliament, was tasked with making recommendations on the direction of future policy and is yet to report. **Making significant changes to CAP schemes and downgrading AECS now, prior to this report being published, seem premature.**

In 2020, the Scottish Government took the decision not to open AECS to new applicants and instead only offered 1-year extensions to those with existing agreements at a cost of £5.7m. These agreements will come to an end at the end of 2021 and the likelihood of farmers and crofters in this situation securing new 5-year agreements now looks very limited in the face of the proposed budget cut. The Government was urged by many last year to fully open AECS for applications in 2021. On 23 December, it was announced that AECS would be reopening for a very limited round only and not the full scheme as in previous years.<sup>2</sup> Instead it would focus only on; designated sites, organics, a limited number of target wader, corncrake and corn bunting project areas, slurry stores and improving public access. The limited scale and scope of these means that very few applications are likely to be approved and receive funding.

The recently published Scottish Budget 2021-2022 shows that the budget for the Agri-Environment Climate Scheme (AECS) has been cut to £34.2m.<sup>3</sup> Much of this funding – perhaps c.£32-33m - will be already committed for legacy payments for the continuation of those in existing multi-annual agreements that run for several more years. The scale of funding for signing new agreements within the £34.2m total is therefore likely to be very small indeed and highly rationed; many farmers and crofters may go to the trouble of applying only to be unsuccessful. At the same time, the number of agreements coming to an end at the end of 2021 appears to number c.1367 and therefore thousands of hectares of moorland, grassland, arable habitats and farmed features such as hedgerows, and including designated sites, will no longer be managed as they are now. **Unless there is a significant increase in the AECS budget, beyond previous levels, the prospect of both enabling those with current agreements to continue environmental management and to expand its reach to bring more land under nature and climate friendly management is negligible.**

The Scottish Government has argued it is unable to make commitments to multi-annual payments in the next few years given uncertainties regarding farm support budget commitments from the UK Treasury. This has not stopped it making commitments to paying the Basic Payment, Greening payments and other CAP Pillar I payment (which this year total £485m) over the next few years. In January this year at the Oxford Farming Conference, the Cabinet Secretary for the Rural Economy, Connectivity and Tourism said, *"The financial model we envisage will continue direct income support for our farmers and crofters but after a transition period, we will make that support conditional upon meeting the climate change targets. In a sense an extension of the Greening component in the EU Pillar one programme."*<sup>4</sup> A decision has also been taken to increase the budget for the Less Favoured

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<sup>2</sup> Nicolson, N., 2021. <https://www.pressandjournal.co.uk/fp/business/farming/2767219/scottish-agri-environment-scheme-to-reopen-in-2021/>

<sup>3</sup> Scottish Government, 2021. [Scottish Budget 2021-22](#). p.124.

<sup>4</sup> Taylor, C., 2021. <https://www.thescottishfarmer.co.uk/news/19011039.devolved-nations-back-continued-support-food-production/>

Area Support Scheme (LFASS) – also part of Pillar II - back to previous levels (£65 million) following earlier EU requirements to reduce it. Why similar commitments cannot be made to funding for AECS is unclear.

### Implications of the cut in AECS funding

**As a result of the Scottish Government’s proposal to decrease the budget for AECS, and only partially open the scheme this year, farmers and crofters are facing an even more uncertain future. As it stands, the current budget shortfall will lead to many farmers and crofters falling out of agreements when their current contracts end, resulting in devastating consequences for many of Scotland’s precious species and habitats.**

By not fully reopening the scheme and creating such narrow criteria for applicants, many farmers and crofters will be cut adrift from receiving the vital funding needed to deliver for nature and climate and significant areas of land currently managed in AECS will drop out of management when contracts end. This is disastrous for the many species and habitats protected through it and farm business which rely on this funding to survive.

Further, the removal of specific options (unless they are in target areas/for the target species outlined earlier) means that AECS will fall well short of delivering on Scottish Government biodiversity and climate targets. For example, previous options of species rich grasslands, hedges and wetlands are all valuable components of farm conservation, carbon storage, habitat for pollinators and flood protection.

It raises significant concerns for organic farming in Scotland and is likely to lead to less land farmed organically at a time when consumer demand for organic produce is growing but farmers continue to face barriers to conversion.

#### What is needed:

- **Increase the AECS budget to £80 million** to deliver for nature and climate and ensure those with existing agreements can continue environmental land management and more land can be brought into new agreements.
- **Ensure that organic conversion and maintenance is reinstated as a national priority** so that all farmers who want to convert are enabled to do so.
- **Make a commitment to keep such enhanced funding for AECS ongoing in 2022, 2023 and 2024 and until new rural policy is developed**, and schemes/payments introduced to replace CAP schemes.

### Case studies

*Case study material has been provided by RSPB Scotland as part of research into the potential impacts on farmers and crofters from AECS uncertainty.*

#### **Farm 1: 1100 acres mixed organic upland farm in Angus**

The farm spans a range of diverse habitats including mature native woodland, open hill, wetlands and two duck ponds and as such we have a range of wildlife species (red squirrel, brown hare, brown long-eared bats). Bird life is particularly abundant, including woodland birds (tawny owl, cuckoo, great spotted woodpecker, crossbill), farmland birds (fieldfare, meadow pipit, yellowhammer, mistle thrush, skylark, red legged partridge, black grouse), wetland birds (lapwing (63+ in 2020), curlew, snipe, oystercatcher) and birds of prey including kestrel and red kite, alongside buzzards.

AECS has allowed the farmers to practise organic farming, carry out hedge planting and maintenance and manage wetlands. AECS enabled the farm to transition to organic management. The farmers reported they were generally delighted with the impact on the farm wildlife, although it has changed progressively over many years. Stocking densities are low and the farmers intervene very little, particularly during summer grazing (no ploughing, no fertiliser, no weedkiller). The farm has a mixed sward and lots of insects and bird life.

### **Farm 2 – 400 acre arable farm in Angus**

Since receiving AECS payments for the first time in 2015, the farm has received seeds for planting new habitat areas on the farm. This has been crucial for attracting corn buntings, nesting peregrine falcons and blue butterfly to the farm. The farmers reported that through AECS they became much more aware of the importance their farm can make to threatened wildlife and have taken steps to improve habitat areas around the farm. The farmers noted that the loss of the bespoke advice and seeds provided as part of AECS would be a big loss.

**This briefing represents the collective view of LINK's [Food and Farming Group](#).** Members may also respond individually in order to raise more detailed issues that are important to their particular organisation.

**Scottish Environment LINK is the forum for Scotland's voluntary environment community, with 40 member bodies representing a broad spectrum of environmental interests with the common goal of contributing to a more environmentally sustainable society.**

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