

The Future of Rural Support in Scotland: delivering public goods through farming

Report from a series of 3 LINK roundtables in January/February 2021

Background

Farming and land-based businesses must adapt to address the many challenges facing them: Brexit uncertainty; economic instability following the Covid-19 pandemic; the dual climate and nature emergencies; and changing consumer attitudes. As we emerge from the Common Agricultural Policy (CAP) and lay the foundations for a Green Recovery from Covid-19, it is an opportunity for Scotland to design a new rural policy framework that works better for people, climate and nature.

LINK's paper ['Renewing Scotland's Rural Areas' Revisited](#) (August 2020) sets out how Scotland could transition towards a new regime of rural support, and identified 3 key components of future support: **public goods for public money; facilitating business change; and supporting skills and knowledge transfer.**

A 2018 LINK workshop in Battleby built consensus around some desired outcomes from a future rural support policy. These sessions aimed to build on this with a range of stakeholders to clarify **how** we could deliver on these 3 components, by stimulating discussion on the opportunities and barriers to a new model, and some creative thinking on how to **overcome** this.

The purpose of this roundtable series was:

1. **Stimulate discussion and information sharing on what else we need to know** to design an integrated rural support policy that delivers for people, climate and nature
2. **Stimulate discussion on:**
 - a. **Session 1:** the merits and risks of incremental evolution of the current rural system versus a transformational **public goods for public money** approach
 - b. **Session 2:** the need to **facilitate business change**
 - c. **Session 3:** the need to invest in **supporting skills, advice and knowledge transfer** to facilitate more nature and climate friendly farming
3. **Build consensus and support on some proposed approaches to rural support**, and tease out what the common ground, opportunities and boundaries are
4. **Feed into this follow-up report** with key recommendations

Session 1: delivering public goods - 14th January 2021, 2:30-4pm

Plenary presentations

1. **Gareth Morgan, David Michie (Soil Association) – agroecology and ‘public goods’**
 - **Public good payments** can help improve **environmental outputs** from farming (e.g. wildlife, carbon sequestration, water quality) but they are only part of a more complicated picture
 - Public good payments should be geared towards optimising ecosystem services from agriculture, and be **empowering** (self-efficacy, resilience, working with others), **inspiring and enabling** (create Landscape Leader identity) and **scalable** (lead in a range of capacities)
 - **Agroecology** applies ecological principles to farming, e.g.: minimal/low artificial nitrogen use; minimal pesticide use; and mixed farming (focus on forage, outdoor access)
 - Agroecology has much to offer the ecosystem service provision/public goods agenda but there are concerns centred around: volume of food production; nutrient availability; climate change implications; and land use pressures
 - IDDRI’s report [‘Ten Years for Agroecology in Europe’](#) considers the implications of a European transition to agroecology, and IDDRI are considering the UK context
 - It’s crucial that before Scotland adopts a ‘public goods for public money’ model for future rural support, they focus first on what outcomes they want to deliver

2. **Matt Rayment - Paying for public goods from land management report**
 - **Establishing the cost of meeting Scotland’s priorities for environmental land management**
 - **Collated data** on UK existing land use, priority habitats and features
 - **Identified land management needs** to meet environmental objectives (e.g. biodiversity, soil, climate) – maintenance, restoration, expansion
 - **Identified unit costs data** (adjusted for changing cost factors e.g. crop/fuel costs)
 - **Estimated overall financial needs** for priority habitats and landscape management
 - **Options for environmental land management payments**
 - **Current system:** payments for activities calculated from costs incurred/incomes forgone- minimises costs, inflexible and doesn’t incentivise environmental outcomes
 - **Payment by results:** delivers good outcomes where results indicators can be defined
 - **Reverse auctions:** can enhance value for money where benefits of different bids can be easily measured and compared
 - **Paying for public goods – challenges and opportunities**
 - How to maintain the **farming systems** that deliver environmental public goods. Most farm businesses would be loss making if basic payments removed, and future payment mechanisms must also consider financial sustainability of systems
 - How to design a system that presents environmental public good delivery as a **business opportunity** rather than a cost
 - How to combine public money for public goods with wider **payments for ecosystem services** (e.g. carbon markets, water quality and flood management incentives)

3. **Cécile Smith (Nature Scot) - case studies on alternative farm payments**
 - The **illustrative study** explored the impact on net profit of changes in land management and land use at a farm level:
 - With reallocation of basic payments, coupled and agri-environment schemes
 - With options to deliver environmental options
 - Looked at options in isolation and a combination
 - Used **Farm Business Survey data** and information from individual farms (arable, dairy, lowland beef/sheep, hill sheep and crofting) to do an **impact assessment (net profit)** under

2 scenarios: no change (baseline); or alternative payment scenarios (from entry-level schemes up to more significant change with large-scale restoration)

- **Findings suggested:**
 - All farms had the potential to maintain income while delivering public goods, but optimum delivery varies across farm types
 - Entry-level environmental maintenance and agroforestry has the potential to increase net profit in lowland farms
 - Large-scale nature restoration could have more potential on hill sheep farming whilst keeping sheep enterprise (but a negative effect on dairy)

Facilitated discussion

After the presentations and a Q&A discussion, people worked in groups of 5-7 to discuss the merits and weaknesses of the following approaches to future rural policy

1. **Evolution:** making incremental changes to the CAP, for example adding further conditionality to direct payments, or creating payments for biodiversity/climate
2. **Revolution:** a transformational approach to future rural policy through a 'public goods for public money' model of payments

There was rich debate amongst the groups, but the following themes emerged:

Evolution

- The groups identified some **opportunities**:
 - Improved and better regulated cross-compliance and ambitious environmental conditionality could deliver environmental benefits
 - It could allow farmers to transition more gradually into a new system
 - More time available to engage the wider public, learn from what we're doing now and share benefits of a new system with the public and policymakers
 - Some good initiatives and projects already underway (e.g. farmer-led sector groups such as Suckler Beef and Climate Group) could be scaled up to deliver on climate
- However, there were more **threats** associated with this approach:
 - Core issue around mindset – evolution doesn't challenge mindset enough, and could give a false impression of stability whilst ignoring the reality of challenges faced
 - It doesn't set out how farming's role needs to **change** – to produce high-quality food, protect and restore nature, and mitigate and adapt to climate change
 - If sectoral change is not significant enough, we won't get the outcomes we need for rural economies, climate, and nature
 - Current rural policy delivers poor value for money and doesn't clearly deliver public goods– if this doesn't change there is a risk future Government funding could be lost
 - If agriculture fails to address Government's climate and nature targets, there could be a cliff edge if the system has to stop in a few years
 - If farmers don't change quickly enough (because status quo has been maintained) then they can't make the changes needed if/when the system suddenly changes
- **There was broad consensus that evolution was not an acceptable approach. There needs to be a revolution towards a new system, along with a just transition pathway to this new system to allow enough time for adjustments. The direction of travel and destination must be made clear by policymakers to allow for this adjustment.**

Revolution

- The groups identified some **opportunities**:

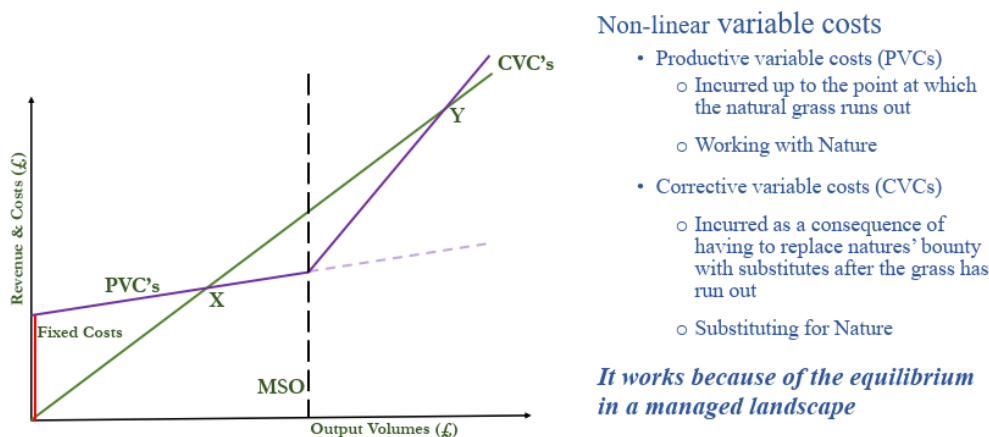
- Allows Government to rapidly target funding to deliver the outcomes needed to address the climate and nature emergencies
- Demonstrates a culture change and promotes mindset shifts in the sector that is needed to deliver on climate and nature
- Ability to focus more on wider societal outcomes that farming can deliver (for people, climate and nature)
- Allows the sector to demonstrate what farming can deliver, and justify spend of public money for public goods
- Potentially more opportunities for currently less viable systems (e.g. High Nature Value Farming areas) to be more financially secure (if paid for natural capital)
- Could facilitate integration and transformation of the entire food system: a joined-up farm-to-fork approach to sustainable farming and food production; consideration of the risk of offshoring Scotland's agricultural footprint abroad; and understanding the impact on food production, security and price
- There were also some **threats** associated with this approach:
 - There will be winners and losers, and withdrawing basic payments on which some farming types are more dependent (e.g. hill sheep farmers, tenanted sector) could cause lots of people to leave the industry or go bankrupt
 - Challenging for farm businesses to adapt unless there is a transition period
 - England has been discussing a transformational approach for 4 years and it has been very challenging and lacks clarity
 - Potentially a need for consumer behaviour to also change to support this – lower meat consumption but higher quality meat
- **There were some general points of agreement**
 - A revolutionary approach is essential to deliver for climate, nature and people
 - A transitional period is needed to allow farmers to adapt
 - It is important that farmers still get to produce food (and not just agroforestry etc.)
 - A new system needs to be a long-term commitment across political parties to give farmers the confidence needed to make changes

Session 2: facilitating business change - 28th January 2021, 2:30-4pm

Plenary presentations

1. **Chris Clarke (farmer, Nature Friendly Farming Network) - [Less is More Report](#)**
 - Pressing farm outputs beyond a **Maximum Sustainable Output (MSO)** reduces profitability and de-capitalises the natural environment – MSO is the optimum point that works for both business and nature
 - Standard economic theory states a linear relationship between variable farm costs (e.g. fertiliser) and volumes and output. This implies economy of scale, suggesting the more you drive output with additional costs (e.g. fertiliser) the more your profits increase
 - This doesn't work because of the imbalance in a managed landscape – above a certain point the cost of increasing production rises steeply (working beyond nature's ecosystem services)
 - This means the most profitable place for farmers to be is not maximum production – there is a balance to strike between variable costs and production by working with nature. This works because of the equilibrium in a managed landscape
 - By operating at the MSO a farm will be: at its most profitable; maximising natural capital; minimising change imposed on its environment year to year; and avoiding purchase of feed-stocks and artificial fertilisers
 - If this is achieved, farming may be in a position to deliver a net sub-zero carbon economy

Economic Realities on the Farm



2. **Johnnie Balfour (farmer, Balbirnie Home Farms) – regenerative agriculture**
 - Johnnie is a farmer and a Soil Association agroecology Ambassador
 - **A regenerative agriculture mindset is crucial** to successfully enhance the environment and make a profit. This mindset includes reducing disturbance (tillage/synthetic inputs), keeping living roots in the soil, protecting soil from rain, increasing farm diversity, and integrating livestock and other enterprises
 - **Most key agroecological practices involve a small upfront cost**, but overall follow a higher profit margin and lower productivity business model. Johnnie has also made cost savings through reducing the need for equipment (selling 2 tractors, a plough and a feed wagon)
 - **Some practices include:** mob grazing (increasing grass recovery periods when grazing); growing cover crops (rather than barley) to feed cattle on arable fields; direct drilling and reduced tillage; reduced use of pesticides/herbicides; and planting an agroforestry orchard with alleys between trees (to grow arable/forage crops)

3. **Gordon Caldwell (farmer, Caldwell's Veg) – organic conversion**

- Gordon is a vegetable grower in Ayrshire and supplies hospitality and independent retail outlets. In 2020 he started looking at converting part of his farm to organic production
- **Barriers to organic conversion:**
 - **Internal:** couldn't see market demand; pride in farm's appearance; 'conventional' education focussed on efficiency/production model of farming
 - **External:** higher costs (suppliers operate on price); wholesale operates on price (is there demand for higher quality product?); poorer appearance of produce
- **Draws to organic conversion**
 - **Internal:** changed his perception of what an organic farmer is; the world will need farmers with skills to grow without pesticides; personal upskilling efforts
 - **External:** a customer who guaranteed outlet; inspiring Scottish farming leaders; an understanding landlord; the financial means to make the change

Facilitated discussion

After the presentations and a Q&A discussion, people worked in groups of 5-7 to discuss:

'What can government, sector organisations and others do to encourage more businesses to adopt climate and nature friendly business models?'

There was rich debate amongst the groups, but the following themes emerged

Barriers to adopting more climate and nature friendly business models

- **Mindset** – it's hard to convince people to try something different and there's a strong cultural identity associated with traditional farming (a 'way of life'/lifestyle)
- **Not seeing a viable alternative** – not enough evidence shared or inspiring case studies showing how to farm in a way that is financially viable whilst providing the best outcome for Scotland's food system, environment (carbon, biodiversity etc.), and communities (including supporting existing farming/crofting culture and not converting all land to forests/nature)
- **Misconceptions about organic:** risk of 'weeds' and animal disease, 'messiness' as a sign of bad management – need to change mindset and show good farming is not always tidy
- **Agri-environment schemes** are designed for big farms – smaller farms/crofts can't access these but remain essential for managing these landscapes
- **Labour-intensive and high costs** (e.g. perimeter fencing, buying organic feed)
- **Lack of financial education:** many farms don't do proper budgeting and understand their margins - don't have a business approach or understand their economic fragility
- **High financial barrier to entry** prevents young people entering the agricultural sector, which stifles innovation, and existing farmers with debt can't invest in new models
- **Environmental education inadequate:** people ill-equipped for today's climate and nature challenges; no compulsory environmental elements in training courses; no formal training for those managing land; knowledge exchange insufficient; and no promotion of training throughout career (CPDP)
- **Advice** is still coming from those with a vested interest in practices/products
- **Lack of confidence** to make changes due to lack of leadership from government policy and the sector, and short-term land tenure (need long-term leases to give confidence to invest)
- **Consumer confidence/public understanding** of the benefits of the spectrum of regenerative systems (other than organic certification) is poor – fears in farmers about retail role of products

What's needed to help in future (e.g. policy, investment, other support)

- **Awareness raising** to promote a new way of thinking and shift mindsets
- **Better access to training/education** – continuous, well-funded lifelong learning is essential, and education needs to start in college
- **Better access to land** and tenancy laws that allow more letting (to increase younger intake)
- **Financial support** for upfront labour/capital costs and cash flow issues (grants/loans etc)
- **Delivery-focussed research** that is disseminated widely on how to adopt new models
- **Policy leadership** that sends a clear message about expectations of the sector in return for public money given
- **Consideration of wider public goods** beyond environmental goods in a future rural support system, for instance social cohesion and local food production
- **More accessible/less competitive schemes** to reward farmers for public goods
- **Encourage cooperation between farmers** and support farmer-led groups with facilitators – can bring financial benefits, environmental benefits at scale, sharing of equipment, knowledge and labour
- **Regional Partnerships/Regional Land Use Frameworks** to set out what can/should be done at regional, catchment and landscape level by farmer-led groups

Session 3: supporting skills and knowledge transfer - 11th February 2021, 2:30-4pm

1. **Caroline Sullivan (Irish Hen Harrier Project) – farmer partnerships for biodiversity**
 - **Hen Harrier Project (HHP):** focussed on sustainable upland farming. Designed with farmers central in 2017 – no red tape, simple application process and accessible plans.
 - **Results-based programme:** 1600 farmers (could cater for 10,000) - payment contingent on delivery of something tangible, and HHP takes an ecosystem approach with Hen Harriers (HH) as a flagship species – if HH doing well, the ecosystems they rely on are also doing well
 - **Measure this** through the structure and components of plant communities/habitats, and use assessments and a scorecard system – you gain points for ecological integrity and lose points for damaging activities
 - **Three key payments:** habitat payment (most payments - bog/heath, wet grassland and scrub/woodland); supporting actions payment and a HH bonus payment
 - **To run an effective results-based programme you need:** a core team with a range of skills; knowledgeable and local advisers; farmers that are clear on deliverables and feel supported
 - **HHP advisory:** instrumental to facilitate large-scale roll-out success of the project
 - Advisors trained well (2 days in classroom, 2 days in the field, refresher training)
 - Project officers mentor advisors to build their confidence when scoring fields
 - Delivered via an **app** to provide reassurance for the project - **advisors assess habitats and score fields**, and if they identify issues can apply for supporting actions with the farmer to improve their score card going forward
 - **Project team:** manage payment and monitoring/verification of the adviser work. Cloud-based system and app captures GPS location of adviser when submitting field scores and photos that action has been verified (allows easy auditing and upscaling)
 - **Benefits:** delivers ecosystems services, enhances habitats and biodiversity, channels money into rural economies, has farmer buy-in and is auditable. This approach is not suitable for every situation but may be an excellent option.

2. **Andrew Bauer (SAC Consulting): supporting skills and knowledge transfer**
 - **SAC is part of SRUC** (Scotland's Rural College), with 180 advisory professionals focussed on a range of issues including agricultural production and management, climate change mitigation/adaptation, rural business diversification and sustainable agriculture
 - **Generalist consultants** in all offices and **specialists** (e.g. environmental advice, food and drink) in certain areas, many of the staff are farmers/crofters themselves
 - **Knowledge transfer through** 11,000 subscribers receiving annual services (for a fee); farm advisory service; Scottish Government funded work through **knowledge transfer and innovation fund**; and contract work for clients from supermarkets to farmer groups
 - **Farm Advisory Programme:** funded by Scottish Government since 2016, aims to increase profitability/sustainability of Scottish farming/crofting. Covers many areas (business, environment, climate change), but recently more focus on mindset and embracing change
 - **Technology** provides a unique opportunity to share free resources/support easily with a wide audience (e.g. monthly newsletter, podcasts, Facebook, Twitter, advice line etc.)
 - **Suggestions for improving future advisory ecosystem (replacement end of 2021)**
 - Facilitate managed change in the sector (reduce negative impact)
 - Quantifying and demonstrating public goods
 - Supporting optimum land use
 - Offer farmer training/skills development (currently SAC only allowed to offer advice)
 - More one-to-few advice (e.g. 1 adviser to 5 farmers) to enhance engagement
 - Supporting the Green Recovery

3. **Michael Clarke (Nature Friendly Farming Network) – farmer perspective on advice**

- There is a need for strong leadership, and skills transfer is critical for new entrants
- **Challenge in Scotland’s advisory service** - advisers who speak only of their experiences
- **Best examples in Scotland:** RSPB, Woodland Trust, Plant Life
 - Experts in their subject areas whose passion and knowledge inspires farmers and opens their eyes to their environmental stewardship responsibilities
 - Provision of follow-through contact means farmers feel supported by experts on the journey (not a transactional process).
 - Recognition that farmers are food producers who want to strike a better balance between farming, nature and food production
- **How the advisory service could be better and unlock potential**
 - Double government funding available for advisory services
 - More fairly allocate funding with dedicated budgets for biodiversity, climate change, agroecology, regenerative agriculture, and follow-up support
 - A better balance between one-to-many and one-to-one/few advice (~75% of money goes to one-to-many, should be more 50:50 or even beyond that)
 - Better coordination across advice provision
 - Knowledge transfer should be delivered by passionate experts with credentials
 - Considers changing demands/customer preferences to future-proof businesses
 - Recognition that nature can mean business and that a win for biodiversity can be a win for climate change
 - Support landscape-scale facilitation between farmers to unlock transformational change, bring together groups to share practice and embark on new ideas
- Farmers/crofters are interested in others’ experiences – there is an opportunity to better fund inspirational case studies that show it’s possible to balance food, farming and nature in a way that is fit for the 21st century

Facilitated discussion

After the presentations and a Q&A discussion, people worked in groups of 5-7 to discuss:

“How could supporting activities (advice, knowledge transfer, skills development) be improved to help farmers, crofters and land managers adopt more climate and nature friendly farming practices?”

There was rich debate amongst the groups, but the following themes emerged

What are the barriers to accessing sufficient advice and skills development?

- **Mindset** of farmers that don’t view learning as part of the day job and focus on a productivity-driven business model (don’t see biodiversity from a production perspective)
- **Not enough farmers carry out financial planning** so don’t know their profit margins or see the need to change their business model
- **Time constraints** of farmers – may not prioritise learning that isn’t directly linked to productivity improvements
- **Preference for peer to peer learning** increasing within the farming community
- **Policy direction** focussed on productivity, some interest in emissions reductions but little attention on biodiversity
- **Advisors working to an old paradigm** of helping customers get into the scheme they want, without identifying the public objectives of the scheme

- **Knowledge transfer very didactic** – needs to be more collaborative (as per Soil Association mob grazing) and allow mentoring and community building
- **Barrier between receiving advice and delivering change** – sometimes advice lacks a clear end point or delivery of a concrete result at the end
- **Lack of expertise on habitat and biodiversity issues** - advice aimed at getting points for schemes, rather than robust scheme to balance business interests with nature outcomes
- **No clear options that deliver ‘triple wins’** for business, biodiversity and climate change
- **Consultants not up to date** with latest research and knowledge

What’s needed to help in future (e.g. policy, investment, other support)

- **Ratio of advisors to farmers needs to shift** – increasing one-to-few advice will get more farmers engaged and interested in making changes, and deliver better upskilling
- **Increased funding for advice and guidance** – low level of funding doesn’t send the right signal to farmers
- **Reduce barriers to entry** to accessing advice to engage more farmers – currently it’s competitive, time-consuming, and if you ask you for advice there’s a risk of getting fined for making a mistake
- **Clear signal from Scottish Government** that climate/nature outcomes are priorities (pay farmers for environmental public goods, fund high-quality advice) – this will shift market demand for advice and SAC and others will respond with investment in relevant specialisms
- **Spread awareness** (e.g. through costed case studies) that environmental management is beneficial for long-term sustainability and economic viability/resilience of their business, and that wins for biodiversity/climate can also be a wins for farmers – drive uptake of advice/training on these outcomes
- **Changing hearts and minds** so land managers want to do this type of management – targeted government policy, environmental conditionality and regulation have roles to play in this
- **Make ‘upskilling’ a conditional element of payments** to develop farmer skills (e.g. need to do CDP annually)
- **Financial training** to support farmers on managing their business profitably
- **Develop farmer champions** (potentially paid) who inspire and motivate others
- **Invest in facilitators** for landscape scale change, to lead, excite and inspire farmers
- **Improve literacy on climate/biodiversity issues** amongst advisory community and farmers, so farmers can then seek guidance to enact the changes needed
- **Supportive 1:1 advice** to build relationships, develop farm management plans and tell a compelling story of what farmers can do (Ministers need to be sold the importance of this)
- **Value for Money** assessments should focus on outcomes achieved not money out the door and processes (Ministerial concern about cost of funding advice rather than paying farmers)
- **Sensitivity to farmers’ schedules** (annually/daily) in advice delivery through events, services, training etc.
- **Learn from advice in other successful results-driven projects** e.g. Irish Hen Harrier Project
- **Local advisory hubs** with different specialisms and expertise, requires investment

Annex A: notes from LINK workshop at Battleby 28 June 2018 – clarifying outcomes in rural/agricultural policy

Suggested outcomes included

- Forest/woodland cover has increased and we are on track to replace imports with local
- Increased diversity of land ownership and land use
- Improved healthy diets from locally sourced food
- Population growth and rebalanced demographic profile in rural areas
- More value added to primary products
- Sustainable/zero emissions from food and drink industry
- 25% reduction in chemical inputs
- Improved balance of arable crops grown for food, animal feed and drink
- Every child is connected to and has experienced rural Scotland