



LINK's proposals for the new system

The Agriculture Bill represents a once-in-a generation opportunity. The Scottish Government must replace the out-dated, inefficient and inequitable payments system with one that delivers – for nature, climate and people. This means changing the way that farmers, crofters and land managers are incentivised to adopt nature and climate-friendly practices and ensuring that the majority of funding supports such practices and farming systems.

It is imperative that the system of farm support is structured to meet the Scottish Government's commitments on net zero and to restore nature by 2030.

Direct Payments in future farm support

The Scottish Government has proposed moving away from the CAP's two pillar structure into four tiers:

- **Tier 1:** Base Level Direct Payment (direct payment) – to support active farming and food producers, with receipt of payment based on Greening, Cross Compliance and a Whole Farm Plan.
- **Tier 2:** Enhanced Level Direct Payment (direct payment) – an enhanced payment for reducing GhGs, nature restoration and enhancement.
- **Tier 3:** Elective Payment (indirect payment) – for targeted actions on nature restoration, innovation and supply chains.
- **Tier 4:** Complementary Support (indirect payment) – for a range of activities (e.g. continuing professional development, advisory services), habitat restoration (e.g. peatlands, woodlands) and support for areas of natural constraint.¹

Given the well-established flaws with direct payments, the proposal to continue this approach through Tier 1 is disappointing. At best, this should be a temporary measure with direct payments phased out over the course of the next parliament. Instead, the farming budget should pivot towards payments that directly support farmers, crofters and land managers to farm in ways that are sustainable, in light of the nature and climate crisis.

However, assuming that a Tier 1 payment goes ahead as proposed, payments made under such a scheme should be made conditional on meeting standards that are high enough for all claimants to deliver positive

¹ <https://www.gov.scot/binaries/content/documents/govscot/publications/consultation-paper/2022/08/delivering-vision-scottish-agriculture-proposals-new-agriculture-bill/documents/delivering-vision-scottish-agriculture-proposals-new-agriculture-bill/delivering-vision-scottish-agriculture-proposals-new-agriculture-bill/govscot%3Adocument/delivering-vision-scottish-agriculture-proposals-new-agriculture-bill.pdf>

environmental outcomes. Cross Compliance Regulations and Greening in their current form do not do this and there is a strong case for raising this baseline so that all applicants must do more to be eligible for payments. Rules should be reviewed against impact criteria, e.g. the extent to which they contribute to climate change mitigation and nature's recovery through (for example) periodic soil testing, nutrient budgets and carbon and biodiversity audits. A ratcheting up over time of standards could complement a transition away from direct payments. Over time, some of what is currently incentivised could move into regulation (e.g. all farmers should be looking after their soils for future generations and properly managing slurry).

It is essential that the new system is credible and verifiable so that the gains made in delivering for nature and climate can be evidenced. An effective and comprehensive approach is needed to establish a robust baseline for nature and climate both at farm/croft level and at aggregate level, along with a system for monitoring change over time which provides useful feedback both to individual businesses and to policymakers.

LINK recognises the pressures on public funds but want to see at least the maintenance of current funding. It is important to acknowledge that while the farm support budget has remained largely static in absolute terms it has declined in real terms. Even with a level budget there has still been a financial squeeze on farmers in recent years. Maintaining the budget for farm support can be justified because this public money would directly help deliver government targets and priorities relating to climate change and biodiversity.

There is also a case for a short-term (5-10 year) increase in the budget to support the industry's transition – similar to the investments in decarbonising transport and home heating. LINK also wants to see innovation in funding mechanisms including the use of loans and cost-sharing to make best use of funds. High-integrity schemes for blending public and private finance will also be required for delivering change at pace and scale.

LINK wants to see early progress towards Scottish Government targets before 2026. We propose that direct payments are capped, and money redirected towards investments in actions with known benefits – such as facilitating landscape-level nature restoration, organic farming, agroforestry, enhanced advisory services.

Pivoting payments to reach nature and climate targets

The Scottish Government's Vision for Agriculture states that farmers, crofters and land managers should be given the support to “deliver emission reductions in line with our climate targets” and to “contribute to the restoration of nature through biodiversity gain on the land they farm”². To deliver this ambition, the new system must support and incentivise farmers and crofters to produce food while delivering for nature and climate.

In the short terms, AECS should be continued and expanded to give farmers, crofters and land managers the confidence to enter into the scheme and to continue with existing agreements. AECS will be an important transition for those wishing to go further in the future, whilst elements of it are also likely to be mainstreamed across all farms through Tier 2.

In the longer term, the majority of funding – around 75% - must directly support climate- and nature-friendly farming.

² <https://www.gov.scot/publications/next-step-delivering-vision-scotland-leader-sustainable-regenerative-farming/pages/1/>

LINK proposals for Tiers 1 and 2

Tiers 1 and 2 will be direct payments, i.e. universally available and non-competitive payments. Tier 1 is expected to be a basic payment available to all farmers and crofters based on meeting what Scottish Government describes as 'essential standards'.

These have not been finalised but greening, Cross Compliance requirements (Good Agricultural and Environmental Conditions (GAECs) and Statutory Management Requirements (SMRs) and the completion of a Whole Farm Plan are currently being considered as part of essential standards.

LINK welcomes enhanced conditionality at Tier 1 but believes that the government could consider going further. The government wishes to remain aligned with the EU and we note that Member States will be required to ensure protection for wetlands and peatlands through enhanced GEAC measures. The government should therefore improve GEAC measures to protect peatlands. This is vital because peatlands are a large source of emissions in Scotland and the current pace of restoration is nowhere near sufficient to meet net zero by 2045.

LINK also wants to see a minimum level of 'land for nature' at Tier 1. The EU has designated 3% for nature as a minimum requirement.

Tier 2 will be targeted on specific activities and practices to support nature restoration and emissions reductions – and therefore the level of ambition within this Tier must be sufficient to meet Scottish Government targets. Within the overall direct payment envelope, the more money directed into Tier 2, the greater the environmental benefits we should expect.

Scottish Government has set out an initial 'list of measures' to indicate the type of activities which will be rewarded by Tier 2 payments. It is still not clear if farmers and crofters will be able to get payments for individual activities or if they will be expected to undertake enough activities to meet a threshold.

LINK wants to see a higher level of 'land for nature' as a minimum requirement under Tier 2.

As well as support for specific practices and measures Tier 2 should encourage systems change. Organic farming and High Nature Value farming should be recognised as meeting most of any threshold requirements for Tier 2.

High Nature Value (HNV) farming

Some 40% of Scotland's agricultural area – primarily in the North, West and uplands could be considered to be farmed under High Nature Value farming systems. Many farmers and crofters in these areas already use nature-friendly practices which optimise the land's potential to support nature while still producing food.

LINK wants to see the government recognise and support HNV practice at a whole farm/croft level. The government should develop standards for HNV farms/crofts and use the National Test Programme to refine and test these in partnership with farmers and crofters. The government could then provide support to HNV farms and crofts through Tiers 2, 3 and 4.

Organic farming

Given the potential organic farming practices have for delivering for nature and climate, it is imperative that organic farming is given significant support, indeed the Vision for Agriculture sets an ambition to “encourage more farmers to farm and produce food organically”. There should be a specific target set to reach 10% of land farmed organically by 2030 and this should be included in the Agriculture Bill. As with the current greening payment, being certified organic should passport farmers, crofters and land managers at Tier 2.

LINK proposals for Tiers 3 and 4

Building on the action taken for nature through Tiers 1 and 2, a new **Nature Restoration Scheme** should be introduced under Tier 3 to enable agriculture to make its contribution to reversing nature loss. This higher tier funding stream is envisaged as the main delivery mechanism for the management, restoration and enhancement of functioning ecosystems throughout the country.

The Nature Restoration Scheme in Tier 3 should support farmers to undertake the creation and restoration of specific habitats such as wetlands, heath, habitat mosaics, species-rich grassland, as well as species and habitat specific management. Creating a network of semi-natural habitats across our farmland will provide a huge benefit in ecosystem services including pollination, natural pest control, protection from extreme weather such as floods and fires, as well as giving Scotland’s species a greater chance of adapting. There must be the right habitats in the right places and for any scheme to offer equitable payments for different habitats. Strategic habitat creation should be linked to wider nature networks with ambitious catchment-based projects welcome.

Actions within Tier 3 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 year minimum) and should have a significantly enhanced level of ambition compared with previous AES. 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. These competitive interventions could include (but are not limited to):

- Landscape-scale management initiatives which support co-operation and collaboration to achieve habitat connectivity and nature’s recovery at scale.
- Agroforestry initiatives (as a supplement to the delivery of trees on farms, which should take place primarily under Tier 2).
- 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.
- Conservation grazing.
- Management of invasive non-native species.
- Nature led ecosystem restoration (rewilding).

- In circumstances where human-wildlife conflict arises, or may arise, rewarding intervention using an approach derived from the international consensus principles for ethical wildlife control.
- Instream/river and on-land interventions to mitigate flooding and to manage sediment for water quality.
- Education infrastructure, events and service.
- Catchment scale water quality and habitat restoration.

Underpinning principles

The following guiding principles underpin our proposals across all tiers:

- **Targeting and prioritisation**, so that the right actions are happening in the right place and limited public funds are used for maximum effect - supported by ongoing evaluation and monitoring, good quality data, as well as a comprehensive whole farm plan.
- **Whole Farm Plans** should be a requirement for funding across all Tiers, with an appropriate level of planning for each level. This plan would be practical and relevant and would ensure that the environment underpins all aspects of planning. Plans will need to be based on the following:
 - Priorities of the individual holding, guided by local, targeted priorities.
 - Delivered by suitably qualified, skilled advisers and farmers/land managers with appropriate skills.
 - An emphasis on land manager input and involvement to promote ownership of the desired outcomes.
 - 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.
- **Land-based skills development:** LINK support the proposals on land-based skills proposed by the Climate Emergency Response Group (CERG) which include:
 - Starting in 2022, refresh and extend mandatory CPD on climate and biodiversity for all new and existing farm advisors.
 - Build in mandatory advice into farm-level support and capital grants, starting with Track 2 of the National Test Programme in 2022.
 - Commit to action in early 2023 to kickstart the strengthening of the land-based training and education system in response to the Commission on Land-based learning as soon as possible
 - Include training of trainers approach to roll out to other local trusted professionals (vets, agronomists) to cascade knowledge, reinforce messaging, and provide follow-up.
 - Increase year-on-year from 2024 the combined budget for training, knowledge sharing, and advice, scaling up to reach £20 million per annum by 2027.³
- **Support for farmers:** This includes targeted farm advice, knowledge transfer opportunities for peer-to-peer learning, as well as investment in training opportunities and support for collaboration, innovation and market development.
- **Adequate funding to meet the scale of need:** In 2019, £622m was estimated at being the amount needed to meet the Scottish Government's existing terrestrial environmental priorities.⁴ Whilst we appreciate the whole farm budget cannot go on environmental priorities alone, it gives an indication that the £26m allocated to the AECS in 2019 was woefully low.

³ <https://cerg.scot/wp-content/uploads/2022/09/CERG-Main-Report-2022-Updated-080922.pdf>

⁴ <https://www.wildlifetrusts.org/sites/default/files/2019-09/Paying%20for%20public%20goods%20final%20report.pdf>

Synergy with other policies and legislation

The Scottish Government's Vision for Agriculture, and the legislation to realise it, is being developed at the same time as an intense amount of related policy and legislative activity currently happening within the Scottish Government.

Connections must be made between different strategies, bills and frameworks across food, farming and nature, to encourage a more joined up approach which will ultimately reduce duplication, avoid gaps and encourage synergies. This means joining the dots between several policy drivers.

The Scottish Biodiversity Strategy⁵ sets the 2045 Vision for Biodiversity in Scotland which will be translated into a legislative framework with statutory targets in the forthcoming Natural Environment Bill. The key "30 by 30" target to protect nature that will be at the heart of the Bill can only be achieved on land with long-term funding for connecting and restoring all protected areas, many of which are also classified as agricultural land.⁶

The Climate Change Plan sets out policies and proposals up to 2032 as part of the journey to the net zero target by 2045 with a 75% reduction in emissions by 2030. Nature-based solutions such as woodland creation and peatland restoration will reduce emissions, as will the climate friendly farming practices set out in this report.

Bringing more awareness to the climate impacts of Scottish farming abroad, for example in the growing and importing of livestock feed, and the need to tackle waste across the food and farming system relates directly to the Circular Economy Bill proposals. This Bill will need to be cognisant of how farming actions and practices complement and support Scotland's domestic and international roles in tackling the twin crises of climate change and biodiversity loss.

The Scottish Government has also committed to working across society to secure a Just Transition, ensuring that economic change is managed in a way that is fair for all. This reads directly across to the need for the farming and land management workforce to be supported with skills, knowledge transfer and innovation – which will be essential in underpinning a future support system for agriculture and for guaranteeing a just transition for those working in the sector.

The recently passed Good Food Nation Act sees Scotland's food future as being one of high quality – in what is grown, sold and eaten. Reducing pesticides, encouraging pasture-fed, HNV and organic systems can all support this objective. Shorter supply chains, and the infrastructure to facilitate this (e.g. small abattoirs, creameries, granaries, etc) should all support this.

Finally, the Scottish Government wishes for synergy between its own legislation and associated policies and that of the EU. Whilst the CAP has its shortcomings, there are some strong and positive targets in the Farm to Fork Strategy (e.g. pesticide reduction) and the CAP has both a clear intervention logic with associated objectives and targets, as well as minimum spend on certain CAP programmes.

The Scottish Government's actions on agriculture should be driven by the need to achieve its goals for nature, climate and people; taking a joined-up approach across the full range of policy drivers.

⁵ <https://www.gov.scot/binaries/content/documents/govscot/publications/strategy-plan/2022/12/scottish-biodiversity-strategy-2045-tackling-nature-emergency-scotland/documents/scottish-biodiversity-strategy-2045-tackling-nature-emergency-scotland/scottish-biodiversity-strategy-2045-tackling-nature-emergency-scotland/govscot%3Adocument/scottish-biodiversity-strategy-2045-tackling-nature-emergency-scotland.pdf>

⁶ <https://www.scotlink.org/wp-content/uploads/2022/11/30-by-30-Report-WEB.pdf>