

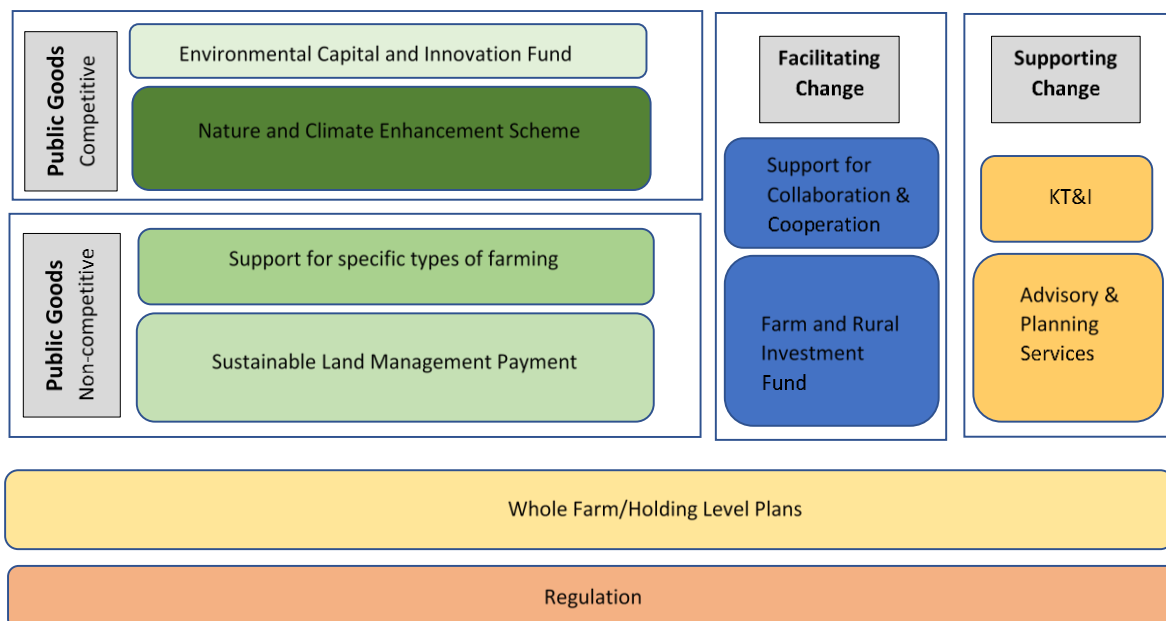
## Key points:

- Putting Scottish agriculture on a more sustainable footing – environmentally and therefore economically given the dependency of food production on nature and a stable climate – requires step changes in policy and payments now.
- Drawing on work over the last decade, these five proposals could be developed and implemented between 2026-2028 and make significant progress for nature and climate.
- These proposals do not represent the entirety of what is needed to support agriculture to deliver improvements for nature and climate but could make a significant start.
- Within the scope of our resources, we have attempted to indicate costs and scale of impact: these are estimated figures only and require further analysis and modelling. However, these are not hugely outside the bounds of the existing farm budgets or of a scale that is untenable. It comes down to making choices as to which investments matter most and can make greatest contribution to outcomes.

## Introduction

Scottish Environment LINK - and many of its members individually - have called consistently for fundamental reform of farming policy in Scotland. At the heart of our [proposals](#) was the following schematic:

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



Some of the concepts underpinning this have found their way into the Scottish Government's four tier framework and, in a theoretical sense at least, our building blocks can be mapped on to each of the four tiers, as follows:

Tier 1/2 = Whole Farm Plans and Public Goods Non-competitive payments

Tier 3 = Public Goods Competitive and Facilitating Change

Tier 4 = Supporting Change

In practical terms, our building blocks are only partially in place but there is potential to make progress in the next two years and over the life of the next Scottish Parliament.

Putting Scottish agriculture on a more sustainable footing – environmentally and therefore economically given the dependency of food production on nature and a stable climate – requires step changes in policy and payments now. The proposals in this paper are presented on this basis.

***The costings below represent the additional funding that would be required, up and above existing expenditure on these items e.g. on current advisory provision, AECS, organic farming and agroforestry. Some expenditure is new e.g. for landscape scale collaboration.***

In summary, they are:

Proposal	Low ambition additional/new costs p.a. (£ millions)	Higher ambition additional/new costs p.a. (£ millions)
Fund advice to progress WFP	17	52
Review and improve AECS	27	51
Organic support in AECS	4	8
Landscape-scale collaboration	10	20
Agroforestry	5	10
<b>Total required</b>	<b>63</b>	<b>141</b>
Potential capping contribution	35	71
<b>Total minus capping</b>	<b>28</b>	<b>70</b>

These proposals do not represent the entirety of what is needed to support agriculture and deliver improvements for nature and climate but could make a significant start if added to existing funding in these areas.

## Assumptions

In drafting these proposals we have made a number of assumptions about future farming policy in Scotland, as follows:

- The Vision for Sustainable and Regenerative Agriculture remains and Scottish Government remains committed to taking '*early action on nature restoration and on implementing measures to reduce greenhouse gas emissions from agriculture to address the twin crises of climate change and nature/loss of biodiversity.*'
- This action for nature and climate is to be achieved through the existing four tier framework but insufficient progress has been made to date.
- The overall farming budget remains constrained and the financial envelope continues to be c£650 million per annum (although should be £910 million in real terms).
- Current allocations of funding to Tiers are not set in stone and will change, but according to as yet unknown (by us) proportions.
- Various mechanisms for changing funding allocations to Tiers (and related payments) exist.
- There are practical constraints e.g. IT but these are not insurmountable; sub-contracting delivery to third parties is an option and can be effective.

## Proposals

As noted at the beginning, the following proposals are consistent with earlier ideas presented by SE LINK for farming policy reform and how the current farm budget could be spent. These proposals could be developed and implemented between 2026-2028 and make significant progress for nature and climate. Within the scope of our resources, we have attempted to indicate costs and scale of impact. We suggest, however, the Scottish Government has far more resources at its disposal than we do to model proposals and understand likely impacts; we urge it to apply these resources to this effect.

### 1. Progress the Whole Farm Plan concept through advice

In 2017 and again in 2020, we called for land-based businesses to be supported through an enhanced advisory service to produce integrated business and environment plans for the whole farm/land management unit. We were therefore supportive when the Whole Farm Plan (WFP) concept was introduced by government as a requirement for payment. Unfortunately, it was introduced in a very limited way and its full potential has not yet been met. There is an opportunity now to fast-track WFPs and further support this approach. Currently, farmers and crofters must complete 5 audits/plans (at least 2 in 2025) and have done all of the ones appropriate to their business by 2028. Nutrient management plans are to be added by 2028. No further sequencing (which audits, when) has been set out since last year. We wish to see a requirement introduced that carbon audits and the biodiversity audit must both be completed by 2027, leaving the remaining two audits to be completed by 15<sup>th</sup> May 2028 (assumes inclusion of the requirement for a nutrient management plan audit before this point).

Completing the audits/plans should however only be seen as the first step in the process. Anecdotally, it appears that many farmers are treating the WFP as a tick-box exercise and not seeing the benefit or value

of doing the related audits. In other words, the information and advice being offered through the audits/plans is not necessarily being understood and acted on. This must change.

In addition to speeding up the process for completing audits and prioritising the biodiversity and carbon ones – something pressed by us via ARIOB and the PDG but ignored – additional supporting advice is required. Providing farmers and crofters with free 1:1 advice to turn the audits/plans into a meaningful WFP and support implementation, could be a game-changer. This has the potential to: save farmers money e.g. by identifying options for reducing inputs; reduce GHG emissions e.g. through improved soil management; and, enhance biodiversity e.g. by identifying habitat management and creation options and where to best locate these on farm.

Where actions are not cost-saving ones, and have costs associated with implementation at farm level, this can be facilitated through existing schemes and payments such as Tier 2 Enhanced, AECS, FFIS and others. In other words, WFPs can help to drive uptake, and impact, of other parts of the framework.

### Costs of advice

A full Soil Association Exchange baselining audit (which includes someone on farm to collect soil samples and do carbon audit, biodiversity monitoring etc) plus another visit for bespoke 1:1 advice to develop an action plan for making improvements based on the results, is £3,000 per farm. That would offer a comprehensive approach. Providing this for all c 17,300 farms claiming BPS would cost £52 million. A more targeted approach could be employed, for example, the largest farm businesses at one end and smaller farms and crofts at the other, that would otherwise struggle to complete audits and WFPs. The North Highland Initiative Farm Cluster Pilot is working with 21 farms to look at whole farm planning and farm advice and highlighting what could be done. However, if it is assumed that farmers have already done their whole farm plan audits themselves (funded by BPS receipts), then based on a day rate for an advisor of £500 or £1,000 with travel/accommodation for remote/island locations, then advice for all BPS claimants would amount to between £8.7 million and £17.3 million. Since advisory capacity may be a limiting factor initially, it would be feasible to phase this in in a targeted way as described above.

## 2. Develop, improve and increase funding for AECS (including organic farming)

AECS is a foundation of Tier 3 and should be seen as a central delivery mechanism for securing positive outcomes for nature and climate. AECS is being hampered by a number of factors:

- No full and proper review and revision of options and their effectiveness since its introduction in 2015, meaning adjustments that could improve efficacy and uptake have largely not taken place.
- No substantive change to payment rates since they were calculated prior to the schemes introduction in 2015 meaning they are based on 2011/2012 prices and do not reflect real term costs incurred and income foregone.
- An overall declining budget since the scheme's introduction, limiting the number of agreements and area of land enrolled (see Table x)
- The above factors resulting in a loss of confidence in the scheme by some farmers and crofters and uncertainty or apprehension about entering contracts.

The remedy lies in:

- Undertaking an immediate review of payment rates for options (prioritising priority habitats and species if necessary) and set out a plan for increasing rates for 2027 and onwards scheme years.
- Commissioning an independent review of AECS in 2026 – drawing evidence from agreement holders, advisors and others – to identify recommendations for improvements and adopt these.
- Provide additional free advice to farmers and crofters in priority nature conservation areas (to be identified) to help them apply for AECS contracts in 2027 and future years.
- Committing to returning overall levels of AECS funding to its previous peak in 2016 under the then Scotland Rural Development Programme (£56 million then which is £78 million in real terms).

Returning funding levels to 2016 levels (even without taking account of inflation) could more than double the area of land under agreement and fund many more farmers and crofters to undertake arable, grassland and upland options, improve the condition of designated sites and extend and improve non-farmed features such as hedgerows. At its peak funding in 2016, some 361,684 ha of land was under contract and 1,061 applicants secured funding, compared with only 187,882 ha and 521 applicants when funding levels were at £32 million and therefore closer to current levels. The number of applicants securing contracts then was equivalent to just 3-6% of the number of BPS claimants highlighting how limited funding hampers the reach of AECS. Lack of regularly published data about AECS however makes the full picture difficult to ascertain.

Funding for organic farming is provided via AECS. Organic farming is a system of agroecological farming that can make a major contribution to addressing biodiversity loss and climate change whilst producing the food we eat. It is a knowledge intensive rather than input intensive system of farming. The scale of organic production in Scotland falls far short of what is desirable from an environmental perspective and also means that Scotland's farmers are missing out on a significant and growing market, in Europe and globally. Between 2015 and 2020, retail sales of organic produce doubled in the EU and the organic area increased annually by 5.7%.

In Scotland, a total of £41.6m has been spent on 707 AECS contracts for organic since 2015, so an average of £4m a year over 10 years. During this period, the organic land area in Scotland has hovered around 2% land share (104,975 ha in 2024). Setting a target of reaching 10% in the next parliamentary term, would require increasing investment annually somewhere towards £20m p/a by 2030. Additional funding of c.£4-£8 million p.a. in the next few years would make progress towards this target. These are approximate figures which could easily be modelled with access to sufficient data.

### **3. Fund 10 landscape-scale collaborative action projects**

Under the 2014-2020 SRDP, Scotland submitted a proposal to the EU for an Environmental Cooperation Action Fund. The aim of this was to support the facilitation needed to achieve cooperative action between farmers and crofters for key environmental priorities. Unable to secure approval by the EU for technical scheme design reasons, ECAF was abandoned. This was a major failure on government's part. The principles for ECAF remain firm and should be reprised and a new approach to landscape-scale collaboration introduced. This could be delivered by third parties and managed outwith existing IT

platforms for farm payment schemes. We understand the Scottish Government is already considering a small-scale pilot of this nature. We believe government should be ready to fast-track this approach in 2027, once some initial lessons have been learned (although there is already considerable evidence to draw on of such approaches working).

The identification of 10 priority areas could be done with relative ease, identifying key areas where biodiversity and carbon gains would be most valuable and dependent on landscape-scale action e.g. for priority species such as corncrake and breeding waders, add others, or for peatland restoration or river/waterway restoration and management.

While there is scope for farmer-led collaboration and projects being generated from ground-up, and this should be encouraged, many environmental and other NGOs have experience of facilitating such landscape-scale initiatives and partnership working should be encouraged.

The main costs relate to facilitation, communication, project management and incentivising farmer/crofter engagement for projects which would span 5-10 years. Estimates suggest c £1-2 million per landscape are likely to be needed for the first 1-2 years. The land management activities likely to be identified by projects of this nature would be funded by existing funding streams such as AECS, Nature Restoration Fund, Peatland Action Fund and others. Sources of private finance may also be available.

#### 4. Upscale agroforestry

A report for the Soil Association and Woodland Trust Scotland 'Farm payments to support integration of trees and woods into farming systems in Scotland' 2024 set out the benefits and costs of scaling up agroforestry. The report notes that '*...increase in agroforestry would contribute to woodland creation, biodiversity and regenerative farming ambitions and targets, with associated benefits in terms of farm resilience, farmland biodiversity and connectivity, and farm carbon reductions.*' Soil Association has calculated that £10m or more per annum would double the area of land currently under agroforestry and farm woodland. That calculation is based on 10% of agricultural holdings participating in one of six options (silvopastoral low density trees, silvopastoral tree enclosures, silvoarable alley cropping, boundary hedges, biodiverse hedges, small woodland) at an average payment of £2,000 per farm. This would represent an additional 530,000ha under agroforestry/farm woodland compared with 546,000ha at present.

#### 5. Replace LFASS with an HNV farming payment

The current LFASS scheme with a budget of £65 million per annum is intended to provide additional farm support to farms and crofts farming in agriculturally disadvantaged areas where the risk of abandonment would have serious socio-economic and environmental consequences. While this underlying intention is an important principle for support, the reality is that the current LFASS very poorly fulfils its purpose and has been widely criticised for years.

LFASS needs to end. It should be replaced with a payment that is better designed to support farming and crofting where it is of greatest value for nature - High Nature Value (HNV) farming and crofting – and where, without such support, such farming and crofting is most at risk of ceasing. HNV farming and crofting

– and the parts of Scotland where it is most predominant – are not commensurate with the current LFA designation and those necessarily in receipt of LFASS payments.

NatureScot is currently leading work commissioned by ARIOB and designed, in the first phase, to identify HNV farm and crofts using some simple metrics. This builds on earlier work in Scotland on an HNV indicator which identified c. 40% of Scotland is HNV farmland. The true extent of this value for nature, and the farms economic outlook, will then be ground-truthed on a sample of farms. From this, it would be possible to define an HNV standard and a system of third party accreditation. Together, this work could enable government to design a farm support payment that helps to underpin HNV farming and crofting in an effective and targeted way. Unlike LFASS, which directs most of its budget to farms and crofts in the least agriculturally disadvantaged parts of the LFA and to farms which are less likely to be of high value for nature, an HNV payment could be much more effectively targeted. Potentially requiring a smaller budget than LFASS, moving to the HNV approach could release some funding for some of the above proposals.

### Funding these proposals

Setting aside support for HNV farming which could be funded through reforming LFASS, the above proposals potentially cost in the region of c.£63 million if introduced in more limited and targeted ways, rising to c.£141 million per annum if done more comprehensively. These amounts are additional to existing expenditure on the likes of AECS, organic farming and advice. These costs are reduced, if funded in part via capping, to £28 million pa. for low ambition or £70 million p.a. for higher ambition. These are estimated figures only and require further analysis and modelling. It is easy to see though that these are not hugely outside the bounds of the existing farm budgets or of a scale that is untenable. It comes down to making choices as to which investments matter most and can make greatest contribution to outcomes.

***We must emphasise that these proposals do not represent the entirety of what is needed to support agriculture to deliver improvements for nature and climate but could make a significant start.***

Most of these proposals (bar WFP requirements and LFASS/HNV) sit under Tiers 3 and 4. Funding them, at the simplest level, could be achieved in part via a transition in funding from Tier 1 support. If Tier 2 does not progress soon and become a more meaningful route to delivering environmental improvements then its budget of £142 million remains a target for cuts. For the purposes of the calculations we have made, we have applied modulation and capping to all of the direct payments envelope, so including greening. We remind government that of total payments the top 10% of recipients take 42% of the budget. In the government's own words in a paper to ARIOB, *'The public value from the significant sums currently provided as investment payments (BPS/Tier 1) to large, asset rich businesses requires scrutiny.'*

Making straight forward budget cuts and transfers is akin to the 'modulation' mechanism that operated under the previous CAP. Then, Member States could transfer up to 15% of Pillar I support (direct payments) to Pillar II (rural development programmes). At the time, Scotland chose a 9.5% rate. Applying a similar mechanism to equivalent Pillar I payments today (BPS, Greening, VCS), a 15% cut to direct payments would release £71 million p.a. Such cuts would effectively reduce the budgets for all schemes under the direct payments heading but could equally be applied differentially across schemes.

Alternatively, there is the option to cap large payments to beneficiaries using various methods and applying rules according to retained EU law. Different amounts yielded by different options using [Defra 2024 payments data](#) are:

- A flat rate cut of 100% above €100,000 would raise c. €41.2 million (c.£35 million at current conversion rates)
- A reduction of 85% on payments above c. €60,000 would raise €69 million (c.£59 million)
- Applying a more banded reduction above c. €60,000 would raise a figure between the two amounts above.
- Other options exist, including allowing salaries to be deducted first from receipts but these all yield lower amounts than the above.

The figures are for illustration only and based on the best available data we had when we made the calculations. It would be relatively easy for government to undertake more accurate analysis.

Where to make cuts and transfers, and whether all beneficiaries should face cuts equally or not, are ultimately political choices that should be informed by socio-economic impacts. Large BPS payments (and also in some cases large headage payments to beef and sheep farmers) seem most open to critical assessment based on the government's own analysis regarding the effectiveness or otherwise of direct payments. Unless Greening can be reformed to deliver real environmental improvements at scale, its value also remains open to question.

### Next steps

We would welcome an opportunity to explore these proposals with the Cabinet Secretary for Rural Affairs and Islands and Minister for Agriculture and relevant officials at a further meeting. We believe these proposals could form clear commitments in a future Programme for Government, are practicable and implementable and would deliver significant improvements for on-farm nature and contribute to GHG emission reductions as well as being beneficial for climate adaptation. Importantly, they would help to make Scotland's farms and crofts more resilient and sustainable thereby underpinning food production and responding to concerns regarding future food security.



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This briefing draws on LINK Food and Farming Group work over the last decade and was produced on behalf of the Group by Vicki Swales, Head of Land Use Policy RSPB Scotland, David McKay, Co-Director Soil Association Scotland and Pete Ritchie, Executive Director Nourish Scotland.

Scottish Environment LINK is the forum for Scotland's voluntary environment community, with over 50 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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