

RURAL AFFAIRS AND ENVIRONMENT COMMITTEE

FUTURE OF AGRICULTURAL SUPPORT IN SCOTLAND

WRITTEN SUBMISSION FROM ROYAL SOCIETY OF EDINBURGH

Summary

There are many points the RSE agrees with as they echo the analysis and recommendations in our report *The Future of the Hills and Islands of Scotland* 2008. The RSE is pleased to note that the final Pack report is a great improvement on the interim version and supports much of the analysis. We agree with the following points:

- ✓ The range of public benefits provided from the land
- ✓ The historic basis of payments can no longer be supported
- ✓ The significant imbalance between funds in Pillars 1 and 2
- ✓ The need to gain a higher share of UK Pillar 1 funds
- ✓ The need to argue for a greater allocation of Pillar 2 funds to the UK and especially to Scotland
- ✓ The distribution of support is spatially asymmetric and needs to be changed
- ✓ A revised support scheme should recognise the diversity of Scotland
- ✓ The need for a new contract between farmers and society
- ✓ The earlier proposals to use the LCA for support distribution are dropped
- ✓ The use of headage payments and the Top Up Fund provided that they are directly related to the delivery of public goods and services.
- ✓ The 5 characteristics of the future framework
- ✓ The principles and processes for the future of Scottish agriculture.

We have a number of fundamental criticisms:

- The report pulls its punches about the range of public benefits and looks at the issue purely from the agricultural viewpoint and payments to farmers.
- To state that food production is always the primary objective is a gross over simplification as there will be situations where, for example, water management or biodiversity restoration are of greater public importance. To base modifications to the system purely on the basis of the type of farming enterprise will often provide the wrong answer.
- To move forward the Scottish Government should address the more critical point of what benefits does the land produce for the public through farming activity that are non market goods and what would be the most effective system to achieve these outcomes? That is why the RSE argued for a new approach post 2013: An EU Land, Environment and Climate Change Policy.
- The RSE does not support the recommendation that the majority of the CAP funds should continue to be directed through Pillar 1 just to produce food and a cushion against market uncertainties. This is not just an environmental standpoint, but a wider public benefit argument. If Pillar 1 is to retain the greater proportion of support it has to deliver positive outcomes for the range of public goods, in addition to food,

which the land can provide through active management rather than just a cross compliance mechanisms through the Statutory Management Requirements and GAEC.

- A new support scheme needs to be based on an assessment of not only the food production potential of the land, but also the other public benefits. There is a great deal of data on these elements but the report is silent on these points.
- The RSE rejects the argument that the highest payments should go to the most active farmers. Payments should be conditional on what farmers actually do to deliver public goods and services from their land.
- The report fails to recognise that one of the elements of the proposed future framework is the delivery of the greatest range of public non market benefits from the land itself.
- The report fails to exemplify how the outcomes for public goods should be quantified; instead the quantification is purely by farm type rather than what the land can deliver.
- The report attaches too great a significance to the existing definition of the LFA. There are substantial spatial variations in what farming can do to deliver a range of public goods and services. A more sophisticated approach is called for to recognise this variation.
- The report seems to be operating in a different silo from the debate about the statutory land use strategy for Scotland, whereas that mechanism should be able to provide the basis for delivering multiple benefits from the land.
- The report fails to recognise that one of the current issues is the loss of land to agriculture for forestry and energy development, activities on which it is difficult to achieve a wide range of public benefits. The decision making mechanisms are totally inadequate to safeguard land for food production or to adjudicate between it and other uses. Unfortunately, as the RSE made clear in its response to the Scottish Government consultation on the draft land use strategy, neither it nor the Pack report address this fundamental issue.
- The report plays down the energy resources that the land can produce and sees energy purely as an escalating cost factor for farmers.
- The report is virtually silent on a key public benefit: the maintenance and restoration of landscape quality from aesthetic and cultural perspectives.

Background

1. The Royal Society of Edinburgh (RSE), Scotland's National Academy, is pleased to comment on the proposals made in the Pack Report on the future of agricultural support in Scotland. As the Committee is aware, in September 2008 the RSE published a report of a year long study into the *Future of Scotland's Hills and Islands* ¹. It found that there was a critical need to integrate social, economic and environmental measures for rural areas and empower communities to act within an overall national strategy. Highlighting opportunities as well as challenges, the wide ranging report made a number of key recommendations including the need to: achieve a sustainable future of the Hills and Islands with vibrant and viable human communities, and integrated diversity of land uses; well-managed natural systems and landscapes that also contribute to amelioration of climate change; the development of other economic opportunities such as tourism,

¹ http://www.royalsoced.org.uk/enquiries/hill_and_island_areas/index.htm

renewable energy and food; and the support of appropriate financial mechanisms and services.

2. Since the publication of the report, the RSE has continued to engage in the debate about the future of agricultural support in Scotland by responding to consultations².

Delivery of public benefits within a strategic and integrated land use policy

3. The RSE agrees with the Pack Report that for agricultural support to continue, a robust and persuasive justification is necessary. However, that justification rests too heavily on maintaining agricultural production whereas **public goods**, including the maintenance of agricultural capacity, **need to be at the heart of a system of support**. We are disappointed that the definition of support for public goods is not explored in detail. The RSE see the safeguarding of Scotland's agricultural capacity to ensure food security as a public good, since market prices do not, or do not adequately, take account of risk. But there are many other public goods which may not be compatible with maintaining the highest levels of agricultural production.
4. The case for the funding of public goods depends on market failure. We consider that the promotion of biodiversity, protection of landscape, flood protection and measures to combat climate change may at times conflict with purely agricultural objectives, which is why the RSE advocated a policy which, while safeguarding the potential of Scottish agriculture, would be embedded within the wider context of **a strategic and integrated land use policy** accepting that public benefits cannot be delivered regardless of costs. This policy could deliver a range of products and non-market benefits, facilitate the resolution of conflicts in the use of land, and be flexible enough to deal with the considerable volatility in prices of primary commodities, such as energy and food.

Support for agriculture

5. The RSE agrees that Pillars 1 and 2 should remain. The present EU allocations of Pillar 2 funding between Member States is unfair. In its report, the RSE argued that there should be a review of the EU Pillar 2 to secure a level of funding based on need and comparable with other Member States. This is in line with the findings of the Pack Report.

Developing an area based system

6. The proposal in the Pack Report to move from an historical to an area based approach in relation to the payment of the SFP accords with the recommendation in the RSE report. The justification for the payment should relate to the public benefit that farmers in active agriculture will be expected to deliver. The payment should, therefore, be tied to a specific area of land rather than to an individual. We agree that any change to an area based system should not take place until post 2013 and be phased in gradually to avoid serious disruption.

² RSE response to the Scottish Government consultation on the draft Land Use Strategy for Scotland
http://www.royalsoced.org.uk/govt_responses/2010/AD10_16.pdf

7. The RSE has previously expressed concern that significant funds have been distributed to non active farmers, while new entrants face serious financial disadvantage in acquiring working capital and constructing a viable business plan. In the interests of common justice and the integrity of use of public funds, we believe that something must be done in the short term to correct this anomaly.

Criterion for allocation of area payments

8. We welcome the proposal in the final Pack Report to distinguish between LFA and non-LFA land in delivering SFPs in future as each area faces different challenges and different options are applicable. The RSE sees merit in a simple contract between farmer and government stating what will be delivered for the support provided. In its report the RSE recommended a whole farm plan setting out the objectives of support and what the farmer is expected to deliver. We believe that this could be done without imposing a greater burden on farmers than they face with existing arrangements.

Headage payments

9. We are persuaded that if falling livestock numbers and land abandonment are to be halted, some element of headage payment would appear to be the most effective way to do it. The RSE report advocated use of Article 68 (1) (c) as this option provides the potential to encourage the retention of both sheep and cattle in these areas as sources of agricultural activity as well as essential components of grazing systems providing multiple benefits. This is not dissimilar to the approach proposed in the Pack Report.
10. The Pack Report suggests that, due to Scotland's uniqueness with regard to the extent of permanent pasture and rough grazing, it should have greater flexibility. We concur with this point, but consider that negotiations with our regional counterparts within the UK are unlikely to be successful. If the headage payments were disallowed it remains to be seen whether the area payment of Pillar 1 in the LFA would be adequate.

Top Up Fund

11. The RSE welcomes the proposal for a Top Up Fund to achieve transformational change in agriculture. We would wish to see such support linked explicitly also to environmental protection and enhancement. It is necessary to ensure that the objectives go beyond protecting agricultural production and maintaining capacity to gain support from those outside the agricultural industry.
12. The exact meaning of transformational change is unclear. We take it to mean a sector which delivers a reasonable return to farming activity and rewards public goods effectively, but which allows an ongoing process of farm business adjustment leading towards a more competitive Scottish farm sector. It must be accepted that for a significant number of those currently engaged in farming activity transformational change means quitting farming.

Conditions attached to direct payments

13. With regard to the TUF arrangements, detailed proposals for the use of GAEC must be developed for environmental protection and enhancement, and climate change mitigation: two strategic policy commitments made by

the Scottish Government. Funding for public goods should be a legitimate income stream in its own right for those engaged in land management and not just a by-product of agricultural production.

The Less Favoured Area

14. Little consideration is given to how this might change and we are aware that the future of the LFA is still being considered by EU Ministers. But it certainly was the intention of the European Commission to tighten the coverage – for example the whole of Luxembourg is presently classed as LFA. Much of the land where the viability of agriculture is threatened is within the LFA. Before firm decisions are taken on proposals for future support, especially the use of the Top Up Fund, it will be important to see how payments are likely to be affected by amendments to LFA coverage.

The Royal Society of Edinburgh
February 2011