

RURAL AFFAIRS AND ENVIRONMENT COMMITTEE
FUTURE OF AGRICULTURAL SUPPORT IN SCOTLAND
WRITTEN SUBMISSION FROM RSPB SCOTLAND

Agriculture is a major land use in Scotland and produces a range of goods and services that society values and benefits from. Since the UK entered the EC in 1973, the Common Agricultural Policy (CAP) has been a major driver of agricultural development. The CAP has undergone successive reforms but further reform is necessary. The forthcoming reform of the CAP (post 2013) is an opportunity to re-focus agriculture support to ensure we can continue to produce adequate supplies of safe, affordable food whilst responding to key environmental challenges. Given the large sums of public money supporting agriculture, it is vital that the rationale and objectives for this support are clear and explicit. We believe the primary purpose of public support for agriculture should be to secure the delivery of non-market (public) goods and services that, without support, would be underprovided. The regulation of water and soils, carbon storage and the maintenance of biodiversity and landscapes are key examples. Food security is an important issue and will require Government action. But simply subsidising food production in Europe through the CAP is not the answer, either to global food security or to environmental security.

In future, we wish to see a significant shift in CAP support away from poorly targeted income support payments towards more specific and targeted payments designed to deliver public benefits; we propose a system of tiered payments to achieve this. As far as possible, the CAP budget needs to be maintained in order to secure the provision of public goods from agriculture. Scotland currently receives a disproportionately low share of EU CAP funds; the forthcoming reform is an opportunity to redress this imbalance, particularly in relation to Pillar II. Scotland is likely, in our view, to benefit financially under a system of support focused on public goods delivery. We therefore wish to see the Scottish Government, as part of the UK delegation, calling for and supporting, a meaningful greening of the CAP through the reform negotiations. The 'Pack' report sets out some ideas for reform which warrant further consideration but we believe the underlying principles regarding the purpose and distribution of support should be rejected.

Agriculture and the environment: a fundamental relationship

Agriculture is of fundamental importance, producing not only food and fibre but also, through its interaction with land and natural resources, performing vital functions such as nutrient recycling and carbon storage. And without natural resources of soil, air, water and biodiversity, agricultural production would itself not be possible. For much of our history, farming was small-scale, subsistence in nature and sympathetic to the natural environment. Traditional, low input forms of agriculture helped to create the variety of landscapes and associated habitats and species that we value today – for instance crofting results in the machair habitat of the Hebrides. But with population growth, the introduction of new technology and encouraged by public policy, agriculture

has become increasingly intensive and specialised, resulting in negative impacts on the environment. The loss of biodiversity, over-abstraction of water for irrigation, soil erosion and water pollution are just some of the problems we now face, with climate change bringing new challenges. **The forthcoming reform of the CAP (post 2013) is an opportunity to re-focus agriculture support to ensure we can continue to produce adequate supplies of safe, affordable food whilst responding to key environmental challenges.**

The rationale and objectives for agricultural support

Successive reforms of the CAP have sought to achieve a more market orientated, competitive and environmentally sustainable agriculture. Price support and market intervention has been gradually reduced – although not yet entirely phased out – replaced by increasing levels of direct income support for farmers (Pillar I). The first EU wide agri-environmental measures were introduced in 1985 and such measures, along with various rural development measures, now form a substantial – albeit significantly under-funded – component of the CAP (Pillar II). Progress has been made but the current system of support, largely based on historic production rather than objective measures, is no longer tenable.

In 2010, the CAP was allocated €57 billion of public money from the EU budget. In Scotland, approximately £670 million of taxpayers money supported the agriculture sector through various CAP payments. Given such large sums of public money, the financial constraints that all EU Member States are now facing, and the competing demands for funds, **the rationale and objectives for agricultural support must be clear and explicit.** RSPB Scotland believes that this is not the case with the current CAP.

Agriculture produces a range of goods and services that society values and benefits from. The most obvious of these is food – a private good - which farmers can sell to consumers at prices determined by supply and demand in order to earn an income. **We believe that the production of such commodities should not be subsidised by public funds, although some support to help farmers become more market orientated is justified.** As well as food, farming produces a range of non-market goods and services which, unlike wheat or beef, farmers cannot charge a price for. The regulation of water and soils, carbon storage and the maintenance of biodiversity and landscapes are key examples. These goods and services, termed ‘public goods’, benefit society as a whole but tend to be underprovided by agricultural markets and require public intervention to secure their delivery. Without a healthy and wildlife-rich natural environment, both the capacity to produce food and the ability of rural areas to prosper are critically undermined. **RSPB Scotland believes that the primary purpose of public support for agriculture in Scotland, and across the EU as a whole, should be to secure the delivery of non-market (public) goods and services that, without support, would be underprovided.**

Is food security an argument for CAP support?

The origins of the CAP can be traced back to post-war Europe and the urgent demand to increase food production at a time of food shortages and rationing. Subsidies were introduced to stimulate production and were largely successful, to the point of excess production which then demanded supply control measures. A combination of various factors globally, plus the prospect of population growth, has raised concerns regarding food security and led to demands, from some quarters, for subsidies to support food production. But the issue of food security is complex. The major cause of food insecurity currently - largely affecting those in developing countries - is poverty and restricted access to food rather than a lack of global food supplies. In the western world, there are as many obese and overweight people (1 billion) as there are hungry and malnourished people elsewhere and a large proportion of the food we produce – almost a third – goes to waste. Although food production does need to increase globally in the longer term to satisfy a growing population, and climate change will create challenges in this regard, our response to this issue will need to be multi-faceted. Completing the 'Doha' trade negotiations and making trade fairer for developing countries, by ending trade distorting subsidies in Europe and elsewhere, is part of the solution. The environmental sustainability of our food production systems will also need to be addressed at the same time¹. **Simply subsidising food production in Europe through the CAP is not the answer either to global food security or to environmental security.**

RSPB Scotland CAP reform proposals

RSPB Scotland is calling for CAP reform as part of our wider BirdLife International network². **We wish to see a significant shift in CAP support away from poorly targeted income support payments towards more specific and targeted payments designed to deliver public benefits.** Our vision is for a system of tiered payments designed to promote sustainable farming systems and ensure the delivery of public goods. More specifically, we wish to see:

- A basic farm sustainability payment available to all farmers which encourages and supports best practice management in relation to food production and the environment.
- A High Nature Value (HNV) payment to support farming systems that deliver high levels of public goods but which are threatened by abandonment or conversion to more intensive systems
- Organic farming payment to support the conversion to, and maintenance of, organic farming systems that deliver a range of environmental benefits
- Natura 2000 and Water Framework Directive payments to compensate for additional costs incurred in relation to specific management requirements arising from this legislation

¹ Foresight (2011) The Future of Food and Farming: Challenges and choices for global sustainability. Government Office for Science

² See: http://www.birdlife.org/eu/EU_policy/Agriculture/index.html

- Targeted agri-environment scheme payments to respond to particular problems and needs such as habitat restoration and creation, species recovery, water pollution and carbon storage.

We also wish to see well funded advisory services to support farmers in adopting more sustainable farming practices. We believe that all of these payments could be delivered through a two pillar CAP structure (see comments below on Commission Communication).

The EU Budget and EU proposals for CAP reform

The outcome of the EU Budget Review will determine the next Financial Framework from 2014. It is anticipated that the CAP, which commands some 44% of the EU budget, will face budget cuts, perhaps by as much as 20-30%. **RSPB Scotland believes that, as far as possible, the CAP budget needs to be maintained in order to secure the provision of public goods from agriculture.** Whatever the final CAP budget, its allocation between Member States will be a critical point in the CAP negotiations going forward. **Scotland currently receives a disproportionately low share of EU CAP funds.** CAP reform is an opportunity to redress this imbalance, particularly in relation to Pillar II. Scotland is likely, in our view, to benefit financially under a system of support focused on public goods delivery. Bio-geographic conditions (soils, temperature, climate etc) in Scotland mean that agricultural production will always be constrained, particularly in upland areas. A system of support which favours production will therefore be to Scotland's disadvantage, as witnessed in the past. But these same areas that have limited production capacity are frequently of high nature and landscape value and play a vital role in terms of water catchment and soil carbon storage; the public goods value of such areas is high. **A system of support focused on public good delivery is therefore likely to be of advantage to Scottish agriculture.**

The European Commission has already begun the process of developing ideas for CAP reform. The Commission Communication (COM (2010) 672 final) identifies a number of objectives for the CAP and sets out three broad policy options for the future. The current two Pillar structure of the CAP looks likely to continue. Option 2 (the 'integration' scenario) is presented as the most likely direction of reform and appears to be the Commission's preferred option. This option suggests better integration of objectives across both Pillars of the CAP, in particular moving to a 'greener' Pillar I in order to deliver environmental public goods. RSPB Scotland supports this direction of travel and considers that much could be achieved through '*...environmental actions that go beyond cross compliance and are linked to agriculture (e.g. permanent pasture, green cover, crop rotation and ecological set-aside).*' Our proposals for a basic sustainability payment and additional payments would fit well within a reformed Pillar I of this nature. Pillar II will continue to have a critical role to play in the delivery of public goods, and we wish to see agri-environmental measures remain a central and well-funded component of wider rural development programmes. Support for HNV farming and crofting could be achieved both through Pillar I support for 'areas with specific natural constraints' and also through specific Pillar II measures. **RSPB Scotland wishes to see the Scottish**

Government, as part of the UK delegation, calling for and supporting, a meaningful greening of the CAP through the reform negotiations.

The Inquiry into the Future of Agricultural Support in Scotland (the ‘Pack’ report)

The Inquiry into Future Support for Agriculture in Scotland – led by Brian Pack – was instigated early in the CAP reform process and has stimulated discussion. The final report is helpful in setting out many of the challenges agriculture faces in future, and identifying the contribution it makes in terms of delivering public benefits. Some of the proposals chime with those of the Commission Communication e.g. the concept of additional or ‘top-up’ payments within Pillar I and warrant further consideration.

We are, however, disappointed by many of the Inquiry Report proposals. We disagree fundamentally with the principle (Section 5.2) that the more active farmers should receive the most direct support, due to the high costs they face arising from regulation and their potential to contribute to meeting global challenges. We challenge both the principle itself and the assertions that underpin it. There is little evidence, for example, that Scottish, or indeed EU farmers more generally, face higher production costs arising from legislation than their counterparts elsewhere. Nor does it follow that production costs are higher for the more active (for which we read ‘commercial’) farmers – it is more likely that larger, more efficient farms which benefit from economies of scale can achieve lower production costs per unit of output. We also find little evidence in the report to demonstrate that more active farmers can make a greater contribution to global challenges such as climate change mitigation, halting biodiversity loss or reducing water pollution. It is only in relation to food production that active farmers will necessarily contribute more. Ultimately, this overarching principle, and the proposals that flow from it, will essentially perpetuate the current system that allocates the most funding to the more intensively farmed areas in the east and south-west of Scotland and the least to the more extensive and, in many cases, High Nature Value (HNV) livestock farming systems in the north and west of Scotland. Distributing the least support to those farming systems that are of highest value in terms of delivering public goods, and are most economically vulnerable, and giving more to the most viable and competitive farms, makes little sense to us. **We think the principles regarding the purpose and distribution of direct payments should be rejected and greater attention be given to identifying ways in which support regimes could better support HNV and economically vulnerable farming systems.**