

CAP Greening Group

Discussion Paper

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1. Background and Context

The CAP Greening Group is chaired by Professor Russel Griggs and was established at the request of Scottish Ministers in February 2017. It was convened to produce a way forward for greening within the context of the current Common Agriculture Policy and beyond. This takes place two years after a new green payment within Pillar I of the CAP was introduced to deliver environmental outcomes (alongside existing environmental measures within the CAP). On the surface, the green payment looks fit for purpose but is not when it comes down to the practicalities. It is seen as a sub optimal solution by the majority of farmers and others including environmental bodies. While it may have been the best compromise that could be reached at the time of the last CAP reform, it appears to suffer from what many compromise driven solutions have in that it does not satisfy many.

This discussion paper sets out some high level principles that all members of the group agree would produce a system to deliver environmental outcomes that is not only fit for purpose but motivates those involved in it to want to be part of it and contribute towards those outcomes. That final point is critical in that what we have now is a system where it is done in many cases because it 'has to be done' and there are penalties for not doing so. Instead, we need a system that encourages farmers to consider how best the land on any farm or wider area can be used both to produce the food we need but also maintain a good environment to the benefit of both the farmer and wider society.

2. Introduction

The output from the CAP Greening Group is set out as a discussion paper to align with other papers addressing similar issues produced by the Agricultural Champions, and others as part of developing Scotland's Agricultural Strategy. The Group was tasked with reviewing:

'...the Scottish Government's approach to greening and recommend how the available policy and support mechanisms can be used most effectively in Scotland to:

- Promote profitable farming while meeting the Scottish Government's environmental commitments
- Avoid unnecessary administrative and compliance effort for farmers.'

The first phase of work undertaken by the Group was to review a number of the requirements within the existing Green Payment component of Pillar I of the CAP. This work was concluded in May 2017 and an announcement made by the First Minister regarding a number of changes to the rules for the Green Payment, effective from 2018. The Group then turned its attention to the question of how future policy and support mechanisms could achieve environmentally and economically sustainable farming in Scotland.

The backcloth to our discussions has, of course, been the UK Government decision to exit the EU, following the EU Referendum vote in June 2016, with the consequence that the CAP will no longer apply. In this scenario, alternative mechanisms to support farming and achieve environmental outcomes through agriculture will be required.

The paper starts by reviewing the state of Scotland's farmed environment and existing environmental measures in the CAP before considering future policy options. In doing that we have done so within some guiding principles, namely that whatever is produced should:

1. Be part of an integrated framework with land, food, agriculture, environment, community & rural policy all linked together.
2. Be a holistic policy that everyone can understand and see how they fit into it positively.
3. Be enabling rather than enforcing i.e. do it because I understand why I am doing it and want to be part of that
4. Be able to be flexible where appropriate and where it allows sensible management of situations and environment
5. Recognise that not all types of farms or geographies are the same and allow for that in how it operates
6. Recognise that there are environmental and other issues that need to be addressed and constantly work to address those.
7. Recognise that the current metrics that are available to measure issues in this area are not as good as they could be and work to produce more meaningful ones in line with the outcome to be achieved.
8. Have access to good, supportive and positive advice that helps all parties manage their own situation better.

3. Farming and the environment in Scotland

Scotland's environment is one of its greatest assets. Agriculture has, over millennia, helped to create much of what we value today – the landscapes and wildlife we enjoy – whilst producing food for our tables, contributing to our economy and sustaining rural livelihoods and communities. Scotland remains a stronghold for some of the UK's most important species and habitats, is known for its iconic landscapes and abundance of high quality rivers and lochs. Compared to other parts of the UK, Scotland continues to have a large share of High Nature Value (HNV) farmland – predominantly where extensive, upland livestock and crofting systems dominate. In the lowlands, the retention of mixed farming, spring-sowing, later harvesting and retention of overwinter fallows, have been beneficial for wildlife. Agriculture, therefore, has a major role to play in protecting and maintaining the health of our natural environment, now and for future generations.

However, over the past fifty years or so, in response to policy and market drivers, farming systems have changed, especially in the lowlands. These changes have created new environmental and economic pressures and challenges that at times and in specific situations have resulted in some negative environmental impacts becoming more prevalent.

These environmental impacts are helpfully summarised in the recent CAP Greening Review carried out for the Scottish Government by the James Hutton Institute. Part 1 of this review summarises trends in environmental indicators. Broadly, the review highlights the following environmental challenges,

- Diffuse pollution - resulting from agricultural nutrient, livestock and soil management being a key pressure on water quality, especially in more intensively managed areas
- Agriculture and related land use accounting for a quarter of Scotland's GHG emissions – particularly related to more intensively managed land where more artificial fertilisers are applied, more land is ploughed on an annual basis and livestock production is more intensive.
- Declines in habitat diversity and species numbers resulting from changes in arable and grassland management.

That these challenges need addressing is clear so The Greening Group considers that the status quo is therefore not an option and we must take action now to protect both our agricultural and environmental future in a way that allows both to flourish.

4. Current CAP measures

We currently have a range of measures within the current CAP designed to address environmental problems and encourage and support responsible agriculture. The effectiveness of these measures is variable and whilst some environmental improvements have been achieved in recent years, notably through the agri-environment-climate measure, their overall effect has not been as effective as intended. The green payment in particular, which accounts for 30% of the Pillar I budget, has had limited environmental impact as it has been delivered with little flexibility to take account of the different geographies and agriculture type with Scotland as well as focussing too much on strict compliance to rules rather than allowing those rules to be flexed sensibly to give a better outcome in environmental and farming terms. Further reform of the CAP is anticipated which looks likely to give more flexibility to countries and sub regions to design measures to meet local situations and appears to accept that a 'one size fits all' approach has not worked.

Therefore we now have an opportunity to re-think how we best to encourage and support more economically and environmentally sustainable farming in Scotland as we go forward. The Greening Group considers we should learn from experiences in the CAP and build on some of the more effective elements within it but design policy measures and mechanisms better suited to both Scottish conditions and the environmental challenges we face, as well as ensuring that those benefitting from any payments made to enhance greening feel they have been part of the process of putting them in place.

5. Future policy and mechanisms

5.1. Our vision

As a Group, we all want agriculture to be sustainable, producing a wide range of economic, social and environmental benefits, now and in the future. From an

environmental perspective, sustainable agriculture means that which does not damage or deplete the natural resources on which farming itself depends – soil, air, water, biodiversity, a stable climate – and which contributes positively to the maintenance and restoration of Scotland’s environmental assets as well as being an integral part of developing and growing the rural economy. That means profitable farm businesses that provide good livelihoods for farmers and those who work in the sector and for agriculture to contribute to Scotland’s economy, playing an integral role in the wider food and drink sector. Farming should contribute to vibrant and diverse rural communities and provide opportunities for people to live and work in rural areas, with greater scope for young people and new entrants to the sector. More broadly, sustainable agriculture can contribute to the health and wellbeing of society as a whole through the range of goods and services it provides.

Pursuing sustainable agriculture can, and should also help to meet the Sustainable Development Goals which the Scottish Government is a signatory to.

5.2. Funding

The CAP represents a significant investment of public money in farming and related land management – currently around £650 million per annum. The Group is agreed that in order to support sustainable farming – economically, socially and environmentally – this will require ongoing public investment to **at least** the levels currently provided through the CAP. Such funding can however be better targeted to deliver positive outcomes for farmers, the environment and society as a whole.

5.3. A framework for future policy and support mechanisms

Agriculture should be seen and treated as different from other industries; it is a multi-output/multi-benefit business, with non-market outputs (wildlife, landscapes, clean water etc) as important to society as its traditional market products of food and fibre. These outputs are referred to as public goods and services. Future policy should start from this premise and be designed to support, encourage and sustain the delivery of these non-market outputs, as well as equipping farmers to benefit more from market opportunities.

The Group has considered a number of ways in which future policy could support more environmentally sustainable farming and the delivery of public goods and considers the following components are important.

5.3.1. *Maintaining environmental standards*

A range of legislation is currently in place which applies to agriculture and aims to protect the environment. The Group is agreed that it is in all our interests to maintain the environmental standards set by such legislation in order to protect the soil, air, water and biodiversity resources on which farming depends and reduce the impacts of farming on our climate. Doing so will also help to secure Scotland’s reputation for a high quality environment and food products and bring wider economic and social benefits. The Group notes and welcomes statements already made by Scottish Ministers to this effect.

5.3.2. Targeting support to achieve outcomes

The non-market goods and services produced by farming vary from place to place, according to geography, farming sector and farming systems and practices. Sustaining these outputs where they occur or securing their delivery where they have declined or been lost will require different approaches in different places. Future policy has to recognise this and be designed and targeted appropriately to reflect the diverse conditions and needs across the country. A process is required to determine what these needs are and how best to meet them at a regional or local level, in line with national targets and objectives. For example developing Regional Land Use Frameworks under Scotland's Land Use Strategy could be one means to do this and there will be others as well.

5.3.3. A tiered system of payments

It is envisaged that all payments would be associated with outcomes that deliver public good. In return for payments, farmers would have to undertake specific land management activities or meet certain requirements. As noted above, these activities and requirements will need to be targeted to different farm types/geographic locations although some universal requirements could also apply. All farmland, both in the uplands and the lowlands, would be eligible for payments. The Group has considered at least two tiers of payments - an 'entry level' tier and 'higher or higher level' tiers. The design of these tiers has not been considered in any detail so the following is indicative only.

The '**entry level**' tier would be open to all farmers/farmland. A limited suite of options/requirements could be made available appropriate to farm type/location and depending on what environmental outcomes are sought. Requirements would be above baseline regulatory requirements and aim, broadly, to protect soil, air and water resources, reduce GHG emissions and maintain farmland habitats and features important for wildlife e.g. hedgerows, winter stubbles etc. This level should be simple for farmers to access and for Government to administer.

The '**higher level**' tier would contain more bespoke options with a greater level of environmental ambition by groups or sectors who may wish for example to apply for them. These could be targeted and hence some options or elements of this tier would only be available to some farmers or in some specific places. Accessing payments under this tier could be competitive; producing a whole farm or area plan could be a requirement linked to support under this tier.

5.3.4. Enhancing knowledge

Achieving environmentally sustainable farming requires dedicated support for land managers. The Group agrees that a much greater investment is needed in future in extension and advisory services, alongside any new support mechanisms. These services should work collaboratively with farmers and land managers to support them to effectively deliver environmental improvements identified on their own farms. Greater emphasis and therefore resource needs to be focussed on skills and training is required to better equip

farmers to deliver environmental improvements. How this can be achieved, and who is best placed to provide such services and support, requires further consideration.

5.3.5 Supporting co-operation/collaboration

There is growing recognition of the need to adopt landscape or catchment scale approaches to delivering environmental outcomes. The benefits of co-operation are not confined to achieving environmental outcomes. Farmers who work together in terms of production, processing and marketing of produce can also gain significant advantage compared to operating individually. The Group has therefore concluded that mechanisms to encourage greater cooperation and collaboration between farmers in Scotland should be included in any future policy framework. Again though this is likely to require more external help in terms of advice and perhaps project management to assist in its implementation.

5.3.6 Monitoring and evaluation of outcomes

No one disagrees that in order to justify the expenditure of public money on supporting farming and to demonstrate its effectiveness, it is vital that future support mechanisms and payment schemes are monitored and evaluated objectively and adequately, against the objectives set for them.

A monitoring environment needs to be created which ensures that public money is spent properly and in line with the outcomes it has been designated for it. But it must be done in a way that applies risk and common sense - and where necessary flexibility - to allow enhancements or adaption that fit circumstances better than the current system.

6. The role of markets

Greening Group discussions have largely focused on achieving environmental outcomes through public policy, given their non-market nature. There is scope however for markets to better recognise and reward businesses that produce food to specific environmental standards through certification/assurance schemes and labelling. Organic certification and the LEAF Marque are current examples of this. More generally, the Group recognises the disadvantaged position of farmers in supply chains and the need for farmers to receive fairer market returns for what they produce. Whilst it is beyond the remit of this Group to consider these issues in any detail, it is vital that they are addressed through the development of Scotland's Agriculture Strategy. Public policy can also have a role to play in helping to equip farmers to take better advantage of market opportunities through, for example, training, advice, support for collaboration and to encourage more on-farm processing and marketing.



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