



**Economic Advice & Related Services
to Support Development of a New
Rural Support Scheme for Scotland
RESAS/005/21**



**Conceptual delivery approach for
Tier 2 'enhanced conditionality'**

Conceptual delivery approach for Tier 2 enhanced conditionality of agricultural support in Scotland

An output to RESAS as part of commissioned project
on Economic Advice & Related Services to Support
Development of a New Rural Support Scheme for
Scotland

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Key Points

- The Scottish Government has committed to 50% of direct area payments being attached to enhanced conditionalities under Tier 2 of a 4-Tier model.
- The use of conditionalities within a tiered model echoes developments within the EU under the new Common Agricultural Policy (CAP), but also recommendations made previously within Scotland. This serves as a reminder that current deliberations are re-treading familiar policy territory.
- For example, the 2019 Griggs Review of Greening plus publications from the National Farmers Union of Scotland and the Scottish Wildlife Trusts all proposed multiple tiers, with non-competitive elements available to all land managers and higher tiers with more demanding requirements but higher payment rates.
- Similarly, suggestions for possible measures (and their relative positioning within Tiers) have also been made through various fora, including Farming for 1.5° and the various Farmer-led groups. In all cases, there is a high degree of similarity across recommendations.
- Inspection of the types of conditionalities envisaged reveals a distinction between those applicable to cropped land (i.e., arable and temporary grass), improved grassland, and rough grazing (other, generic planning and training actions are less land cover specific). This suggests that Tiered payments should be differentiated across these three broad categories of land cover, to avoid very different requirements being attached to identical payment rates. An obvious way of implementing this would be to revise the current 3-region payment model by merging R2 and R3 into a new, merged rough grazing region and splitting R1 into a cropped land region and an improved grassland region (LFA and Voluntary Coupled Support could be kept separate or folded into such a 3-region model).
- Moreover, to reflect the relative prioritisation given to different policy objectives, individual measures could be weighted differentially within each region. This concept is already familiar from Ecological Focus Areas (EFAs) on arable land under the (old) Common Agricultural Policy – and there is existing delivery structure in place within RPID that could be expanded. Extending the approach to other land cover regions would increase opportunities for targeting and on-going adjustment in response to shifting priorities or relative uptake rates of different measures. Although best suited to land management actions, the EFA-approach could also include livestock management measures if translated into equivalent area weights.
- Importantly, a 3-region payment model with differentiated payment rates and weighting by relative priority is broadly compatible with current administrative systems as well as being familiar to farmers and crofters.
- Implementation would require agreement on relative priorities and the relevance of individual measures. This could entail explicit and transparent scoring of measures but, given that judgements about weightings need to be made in some way, this is arguably better than leaving them as implicit and/or hidden.

Background

1. The Scottish Government announced that Scotland's future agricultural support framework will require more cross-compliance-type conditions to be met by farmers and crofters. In addition, the Scottish Government have announced that new conditionality options for existing support schemes will be introduced to meet the commitment that 50% of support will have enhanced conditionality by 2025.
2. Elements of the proposed 4-Tier (T1 to T4) framework for future agricultural support are comparable to the Grigg's 2019 Greening Review¹ proposals of a system where all payments *"would be associated with outcomes that deliver public good"* and to receive support *"farmers would have to undertake specific land management activities or meet certain requirements."*
3. The Greening Review recommendations for an 'entry level' tier that was open to all farmers/crofters is equivalent to the currently proposed T1 and T2, whilst the proposed T3 and T4 aligns to the Greening Review recommendation for a 'higher level tier' with *"more bespoke options with a greater level of environmental ambition by groups or sectors who may wish for example to apply for them"*.
4. At a similar time as the Greening Review was undertaken, the National Farmers Union of Scotland (NFUS)² and the Scottish Wildlife Trust (SWT)³ also proposed tiered conditional support packages. These documents serve to remind us that the concept of conditionality tiers is not new and, importantly, that some of the original principles and suggested measures appear to have been lost during current development of the list of National Test Programme measures and list of potential future conditionality measures (see Annex 1 for a summary of the 3 proposals).
5. The SWT proposals suggested a 2-region model where there was a single rough grazing region. All 3 reports suggested models of non-competitive tiers delivering support with greater conditionality than the current support model. They all also recognised the need to maintain competitive, elective tiers of support with greater targeting of support around prioritised actions/outcomes.
6. The SWT paper included suggestions of indicative budget splits between tiers, and the NFUS proposal recommended a 5-year transition towards universal enhanced

¹ <https://www.gov.scot/publications/cap-greening-group-discussion-paper/>

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<https://www.nfus.org.uk/userfiles/images/Policy/Brexit/STEPS%20FOR%20CHANGE%20March%202018%20-%20for%20email.pdf>

³ <https://scottishwildlifetrust.org.uk/our-work/our-advocacy/policies-and-positions/land-stewardship-policy/> and <https://scottishwildlifetrust.org.uk/wp-content/uploads/2019/07/Print-version-Scottish-Wildlife-Trust-Scottish-Affairs-Committee-agriculture-inquiry.pdf>

conditionality tier support. The SWT proposal also suggested a transition to a 2-region model where the existing Region 2 and Region 3 rough grazing become merged.

7. Reflecting on red tape concerns, the Greening Review recognised that the entry level tier *“should be simple for farmers to access and for Government to administer”*. They added that such a tier should comprise *“a limited suite of options/requirements”* that 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.”*
8. There are currently ongoing discussions on the type of additional conditionality measures that may be required in Tier 2 (T2), and indeed potentially in Tier 1 (T1) through additional Good Agricultural and Environmental Conditions (GAEC) and/or Statutory Management Requirements (SMR). Whilst these measures are not yet agreed, or published, it is vital to consider, in practical terms, how these measures may fit within an administrative framework that fits farmer and RPID needs, as per Grigg’s recommendations to the Scottish Government.

Existing conditionality on arable land

9. Within the (old) Common Agricultural Policy (CAP) under the compulsory Greening component (30% of Direct Support) there is a requirement, with certain exemptions, for farmers with more than 15 Ha of cropping land to undertake agricultural practices deemed beneficial for the climate and the environment on a minimum of 5% of the calculated arable area.
10. Within the EFA conditions there are a list of measures that farmers and crofters can opt to undertake – offering producers choices as to the most appropriate action for their circumstances. Scotland had to choose from the full list of the EFA options, with weighting factors also provided to ensure consistency across EU.⁴
11. Farmers and crofters across Scotland that are required to have a minimum of 5 % of their land under EFA measures are now familiar with the weightings that the different measures receive. For example, in Table 1 it is clear that a hectare of catch crop or green cover is only afforded 0.3Ha EFA weighting compared to every hectare of field margins being afforded 1.5Ha EFA weightings. Linear features also receive weightings,

⁴ Land lying fallow; terraces; landscape features; buffer strips; agro-forestry; strips of eligible hectares along forest edges; areas with short rotation coppice with no use of mineral fertiliser and/or plant protection products; afforested areas; areas with catch crops, or green cover; areas with nitrogen-fixing crops; areas with Miscanthus; areas with Silphium perfoliatum; land lying fallow for melliferous plants (pollen and nectar rich species). Weighting factors are listed in Annex X of REGULATION (EU) No 1307/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:02013R1307-20220101&from=EN#toctd118>

for example each metre of hedgerow is afforded 5-10m² depending on the amount of the hedgerow controlled by the farmer.

Table 1 EFA weighting factors applicable in Scotland⁵

EFA	Location	EFA weighted contribution
Fallow (area in hectares)	On arable land	1 Ha
Margins (area in hectares)	On, adjacent to or within five metres of arable land or contiguous to a claimed EFA option	1.5 Ha
Nitrogen-fixing crops (area in hectares)	On arable land	1 Ha
Catch crop (area in hectares)	On arable land	0.3 Ha
Green cover (area in hectares)	On arable land	0.3 Ha
Agro-forestry (area in hectares)	On BPS eligible land in 2015	1 Ha
Hedges (length in metres)	On, adjacent to, or within five metres of arable land or contiguous to a claimed EFA option: Hedges (length in metres) If the producer has the right to claim the whole (eligible) hedge the EFA contribution to be applied is	10 m ²
	On, adjacent to, or within five metres of arable land or contiguous to a claimed EFA option: Hedges (length in metres) If the producer has the right to claim only half the hedge the EFA contribution to be applied is	5 m ²

12. Miller et al (2017) examined the uptake of EFA options on 4,778 businesses (c.754k arable area and c.37k Ha EFA) that were not exempt from EFA options due to area thresholds or permanent grassland / rough grazing mix. There were c.16.8k businesses with 231k Ha arable exempt, implying c.11.6k Ha extra EFA benefits should the exemption be removed – similar to the new GAEC 8 measure where 4% of all land has to deliver for nature.

Conditionality Weightings Based on Priorities

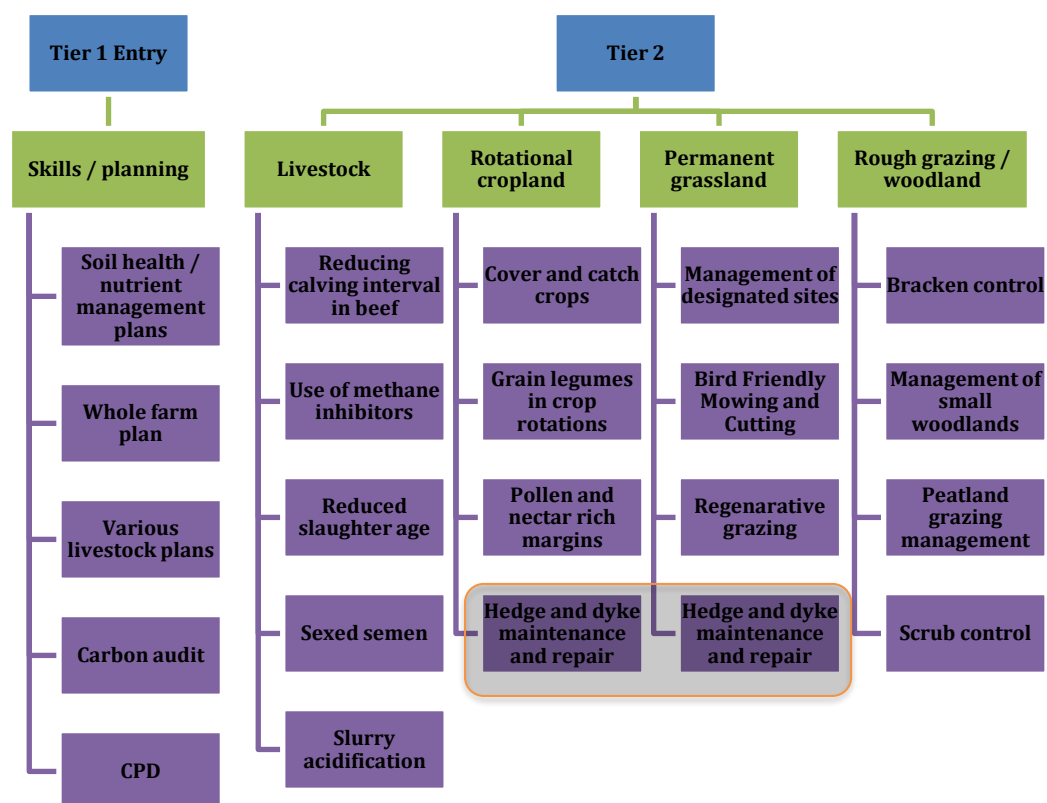
13. When reviewing the list of actions proposed by Griggs, NFUS, SWT, Farming for 1.5 Degrees, the Farmer-led Climate Change Groups, and the National Test Programme it is readily apparent that there is a broad classification of where the proposed

⁵ <https://www.ruralpayments.org/topics/all-schemes/basic-payment-scheme/basic-payment-scheme-full-guidance/greening-guidance-2019/efa-ecological-focus-areas/>

conditional actions are targeted. Figure 1 provides examples of how the conditionality measures align to: (i) skills / planning; (ii) livestock; (iii) rotational cropland (iv) permanent grassland (v) rough grazing / woodland. It is perhaps worthwhile considering whether planning or CPD underpins Tier 1 entry requirements and the on-farm management actions are included in Tier 2.

14. From the various conditionality actions suggested to-date (see Appendices) it is apparent that most are focused on rotational cropland, with fewer measures on permanent grassland and fewer still on rough grazing / woodlands. There is also crossover between conditionality classifications (e.g. hedge and dyke maintenance and repair). The density of crop conditions considered suggests that crop land will have greater flexibility in choice of appropriate measure to uptake, with limited choices in rough grazing / woodland areas. Suggested conditionality measures for livestock have a main emphasis on dairy and beef cattle systems, with fewer measures associated with sheep, and very few associated with deer, pigs and poultry.

Figure 1 Examples of conditionality classification and Tier 1 / 2 alignment



15. The classification of conditional measures into categories is helpful when thinking about the underpinning regional support model (Tier 1 payment rates). In particular, conditionality on rough grazing will unlikely be delimited by the existing BPS Regions 2 and 3, and therefore, perhaps, aligns with the SWT option of a single rough grazing region (as now considered in options 4-7 of the Matthews et al. 2023, regionalisation options paper).

16. The delimitation of grassland and cropland and rough grazing may also be important in a future conditionality framework, in as much that it enables different weighting to be applied to each classification to reflect (a) the opportunity cost of the land, and (b) national priorities. Indeed, within the Scottish Government (and agencies) there has already been an exercise to score each of the conditionality options against a range of national priorities and ease of implementation based on a low (1), medium (2) and high (3) scoring system (see Table 2). Such an approach could be used, with the classification of measure (land-use type / livestock) to develop weightings for each measure (e.g., measure 1 in the example would have a higher weighting than measure 9 based on relative scoring).

Table 2 Example of conditionality scoring against national outcomes/priorities

Priority/Implementation		Conditionality Measure								
		1	2	3	4	5	6	7	8	9
Priorities	Sustainable food production	3	3	3	3	2	2	3	3	2
	Climate mitigation	3	2	3	3	2	3	3	3	1
	Climate adaptation	3	3	2	3	3	3	3	3	1
	Biodiversity	2	3	3	1	1	1	1	1	1
	Soil	3	3	3	1	1	1	1	1	1
	Air	3	2	2	2	2	2	2	2	1
	Water	2	3	2	2	2	2	2	2	1
Implementation	Cost of implementation	3	2	3	1	2	2	2	2	2
	Need for Capital outlay	2	2	1	1	2	2	2	2	2
	Complexity of implementation	3	2	2	1	3	3	2	2	2
	Detrimental to farm efficiency / production	3	2	2	3	2	2	3	3	3
	Complexity of SG admin / verification	3	3	3	2	3	3	3	3	3
	Need for specialist advice / training	3	2	1	1	2	1	1	1	2
	Difficulty of measurement & verification	3	2	1	1	3	3	3	3	2

A potential delivery framework

17. An EFA-type framework may provide a useful basis to deliver tiered conditionality within future Scottish agricultural support. The benefits would include that: (i) an existing RPID IT structure exists for weighted conditional measures in the form of EFA infrastructure; (ii) many farmers and crofters are familiar with the approach, and (iii) weightings of conditionality measures would enable the Scottish Government to adjust weightings based on (a) uptake levels, and (b) desired public good outcomes.
18. Further disadvantage / LFA-type support could potentially be folded-into the new 3-region model as an uplift, reflecting previous observations that it is essentially no different to other direct area payments made on (especially) rough grazing. Any uplift approach could be split between T1 and T2 or attached exclusively to T2 (or somewhere in-between) that would embed T2 conditionality into disadvantage support by design, thereby increasing attractiveness to engage with conditional

support in beef and sheep grazing systems where existing conditionality is relatively 'light'. However, disadvantage support could also be retained separately.

19. Similarly, Voluntary Coupled Support (VCS) could potentially be folded-into area payments or retained separately. The latter is conceptually simpler and offers more obvious leverage over performance-related aspects of livestock production. For example, on-farm mortality rates, weaning rates, slaughter age. There may be arguments to increase the VCS budget (as per Northern Ireland's proposal to include 17% for headage sustainability⁶) to better target conditionality actions on dairy, sheep and beef sectors.
20. However, VCS potentially incurs complexities around compliance with WTO rules, and performance metrics are more readily available for cattle than for sheep. Hence restriction of support to area payments may be attractive. Unfortunately, attaching livestock-related conditionalities to area payments is not necessarily straightforward.
21. Whilst data collection and planning-type measures fit relatively well, actual performance metrics or management practices that relate to animals rather than land are difficult to link to an area-based approach. Conceptually, livestock management / metric measures are challenging to deliver in any conditionality framework other than GAEC or, as Northern Ireland proposes, through coupled support. Whatever the delivery framework each proposed measure will require weighting against public good outcome delivery, or be made compulsory within schemes.
22. Moreover, it is not immediately obvious how the payment would reflect the degree of usage e.g., if dependent on a minimum percentage of animals, would it also depend on a minimum number of animals – in which case it essentially becomes (a more complicated) headage payment.
23. Nonetheless, if necessary, it would be possible to attach permanent grassland (and potentially rough grazing) area weightings to livestock measures. For example:⁷
 - If methane inhibitors were used in the breeding herd on a dairy farm, a proportion of the grazing area could be awarded conditionality status (e.g., 30% based on scientific estimates of efficacy of methane reduction) depending on the proportion of their use in ruminant livestock units.
 - Planning a cull and replacement policy for dairy herds and sheep flocks could be afforded 0.5% Ha of grazing area meeting conditional requirements.

⁶ <https://www.daera-ni.gov.uk/consultations/consultation-future-agricultural-policy-proposals-northern-ireland>

⁷ The area weightings provided here are purely illustrative.

- Use of EBVs in beef herds and sheep flocks, or PLIs in dairy could be afforded 2% of grazing hectare conditionality status, whilst uptake of future low methane indexes⁸ could be afforded much greater weighting due to their potential to deliver against more permanent methane reduction and deliver public good.

24. Such a framework could be used to provide farmers and crofters with the ability to adopt measures they consider most appropriate for their system. Hence, if livestock measures (beyond VCS conditions) could be given a grazing proportion weighting, there would therefore be an opportunity to use them within the EFA-type framework.
25. Differentiating payment rates within T2 according to the amount of land enrolled under conditionality has been suggested as an additional policy variable. However, a simpler minimum threshold is advocated here on the basis that it offers a clearer incentive structure for step-changes. For example, if a farmer is 4% below a threshold losing 4% of T2 payments could easily be absorbed – whereas losing 100% of T2 support should incentivise actions to ensure attainment of the desired outcomes (provided the T2 conditions are attainable and don't carry high compliance costs).
26. Such an approach would permit a minimum threshold for each Region (potentially rotational cropping, permanent pasture, rough grazing / woodland) thereby negating the real risk that farmers opt to select conditionality options on only their most marginal land. Such an approach would ensure cropland, grassland, rough grazing and woodland areas would all play their role in delivering against Scottish Government priorities.
27. Furthermore, consistent with a Just Transition, weighted conditionality eligibility thresholds should be ramped up over time (with weightings adjusted to reflect uptake, national or regional priorities, or private market incentives). For example, in 2026 there could be a requirement for 10% of weighted T2 hectares across Scotland to deliver conditionality measures. By 2030 that proportion may have increased to 30%, thereby supporting the political commitments regarding "30% by 2030".
28. Further, there may be food production, opportunity cost and compliance cost imperatives that result in variation of the proportion of different major land uses that require enhanced conditionality. So, for example the minimum T2 weighted conditionality threshold could initially be 5% for cropland, 7% for grassland and 10% for rough grazing/woodland.
29. To summarise, T2 area payments should be differentiated by land cover category. For example, Rc for cultivated land (i.e., cropped, temporary grass), Rg for improved

⁸ <https://www.thescottishfarmer.co.uk/news/23260092.methane-emissions-solution-climate-change/>

grassland (i.e., permanent grass) and Rr for rough grazing. This would align payment regions with the main categories of proposed conditionality management actions.

30. T2 area payments would be paid on the entire farm area, but only if a minimum threshold proportion of each land cover category (Rc, Rg, Rr) on a farm was under required management. This would ensure that all land cover categories would be enrolled.
31. To recognise that the contribution of different management actions to desired policy outcomes varies, minimum thresholds would be different for each land cover category. For example, perhaps 5% for Rc, 7.5% for Rg and 10% for Rr in the first instance, rising over time to perhaps 15%, 22.5% and 30%.
32. Moreover, to recognise that the contribution of management actions also varies within a given land cover category, calculation of the effective area under required management would be weighted according to the impact of actions. For example, under current EFA rules, cover crops have a weighting of 0.3 but field margins have a weighting of 1.5. As currently, this means that the actual area enrolled and the effective area enrolled would differ. Although this potentially causes confusion, it offers considerable additional flexibility in terms of policy calibration and adjustment.
33. Weightings could change over time as evidence accumulates regarding measures' effectiveness and popularity, but would need to be based on a transparent scoring system. Livestock management actions could potentially be included in this weighting system, albeit in a slightly convoluted manner.
34. For example, to meet the above illustrative weighted conditionality thresholds a 1,200 Ha farm with 600 ha rough grazing/woodland, 350 ha of permanent grass and 250 ha of cropland could be required to have an initial minimum T2 conditional weighted area of:
- 12.5 ha cropland (from area-based/planning measures)
 - 24.5 ha grassland (from area based/livestock/planning measures)
 - 60 ha rough grazing/woodland (from area based/potentially livestock/planning measures).
- Rising over time to:
- 37.5 ha cropland (from area-based/planning measures)
 - 73.5 ha grassland (from area based/livestock/planning measures)
 - 180 ha rough grazing/woodland (from area based/potentially livestock / planning measures).

Annex 1 Summary of Griggs, NFUS and SWT proposals for Tier 2 conditional support⁹

Report	Tiers	Synopsis	Funding
Griggs	2	<p>Tier 1 – Entry Level</p> <ul style="list-style-type: none"> Non-competitive and open to all farmers / crofters / farmland. Actions above baseline regulatory requirements that will protect soil, air and water resources, reduce GHG emissions and maintain farmland habitats and features important for wildlife. Simple for farmers to access and for Government to administer. <p>Tier 2 Higher Level</p> <ul style="list-style-type: none"> More targeted elective options with higher environmental ambition for groups or sectors to apply. Payments under to be competitive; producing a whole farm or area plan could be a requirement linked to support under this tier. 	<ul style="list-style-type: none"> On-going public investment to at least current CAP levels. All payments associated with outcomes that deliver public good.
NFUS	3	<p>Tier 1 – Financial Stability</p> <ul style="list-style-type: none"> Non-competitive support and incentivise businesses to uptake complementing environmental and productivity measures, with top-ups for disadvantaged areas, and coupled support for vulnerable sectors whose socio-economic contribution is of major importance <p>Tier 2 – Non-Competitive Productivity & Environmental Measures</p> <ul style="list-style-type: none"> Comprehensive list of non-competitive productivity and environmental measures for every active farm and croft in Scotland. <p>Tier 3 – Competitive Productivity & Environmental Measures</p> <ul style="list-style-type: none"> Targeted competitive tier available to those that want to further invest or become more competitive for even more positive environmental outcomes 	<p>- Transition: Same budget requirement. Tier 1 starts with higher proportion of budget than Tier 2. Tier 1 transitions to a much smaller proportion of the budget over 5 years with increase in Tier 2 over the same period.</p>
SWT	4	<p>Tier 1 – Regulation</p> <ul style="list-style-type: none"> Non-funded, all land managers must comply, irrespective of whether they apply for support payments (i.e. SMRs). <p>Tier 2 – Natural Capital Maintenance Payments</p> <ul style="list-style-type: none"> Non-competitive, area-based payment available to all for meeting mandatory criteria. <p>Tier 3 – Natural Capital Enhancement Plans</p> <ul style="list-style-type: none"> Non-competitive area-based payment available to all farms for additional actions to provide public goods, chosen from a range of options, each of which attracts different point scores towards a target total to trigger the payment. <p>Tier 4 – Natural Capital Restoration Payments</p> <ul style="list-style-type: none"> competitive additional payment for delivering specific public-good priorities. 	<p>- Budget split</p> <ul style="list-style-type: none"> Tier 2 – 45% Tier 3 – 30% Tier 4 – 25% <p>Budget for Tiers 2 & 3 to be split 70:30 between Region 1 and 2 land</p> <ul style="list-style-type: none"> Region 1 – Arable, Temp & Perm Grass Region 2 – Rough Grazing

⁹ Based on unpublished SG outline policy analysis for future agricultural policy in 2018 ***CONFIDENTIAL AT THIS TIME***.



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