



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



**Northern Ireland Agricultural Policy /
Common Support Frameworks /
Delinking & Lump Sums in England**

Summary of Northern Ireland Future Agricultural Policy, Delinking Direct Support in England, & UK Common Support Frameworks for Agriculture

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.

Output Ref: RESAS/005/21 – W1 /W3 /W4 Combined

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This report combines three distinct reports submitted to RESAS into a single document:

- Summary of Future Agricultural Policy Proposals for Northern Ireland (Output Ref: RESAS/005/21 – W1).
- Summary of Delinking and Lump Sum Direct Payments in England (Output Ref: RESAS/005/21 – W3).
- Summary of the Agricultural Common Support Framework (Ref: (Output RESAS/005/21 – W4).

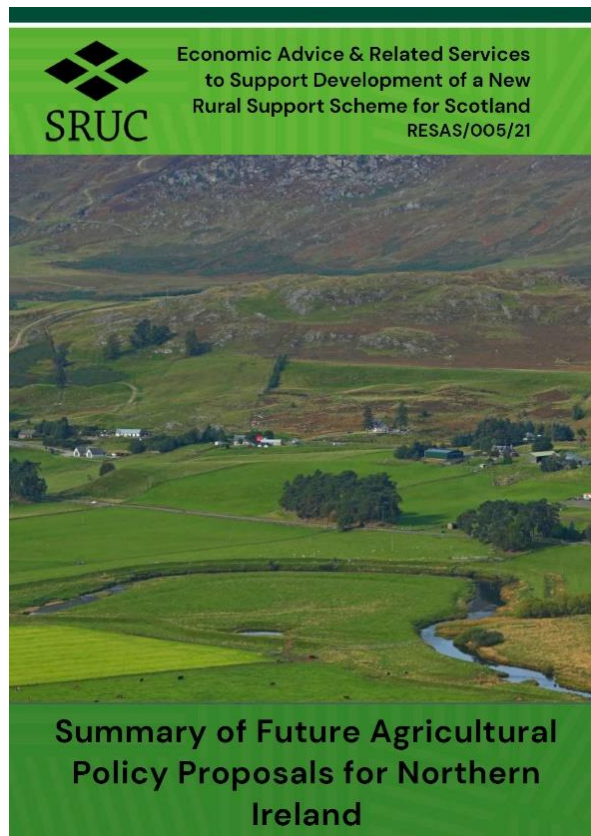
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Summary of Future Agricultural Policy Proposals for Northern Ireland

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

Output Ref: RESAS/005/21 – W1



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Northern Ireland – Key Points

- The emerging policy landscape in Northern Ireland (NI) closely resembles that of Scotland. In particular, an economy-wide 'Green Growth strategy, a '10x Economy vision', and Climate Action Plans set overall ambitions towards which agriculture is expected to contribute. 'Agri-tech' is a priority sector in the 10x Economy vision.
- The proposed 'Agriculture Policy Programme' will deliver against four priorities identified by the 'Future Agricultural Policy Framework Portfolio for Northern Ireland'. The four priorities are increased productivity, environment sustainability, improved resilience, and functioning supply-chains, all of which feature in Scottish policy discussions in one form or another.
- Similarly, as in Scotland, it is acknowledged that the process of change will be challenging and needs to be achieved through a fair and phased transition. This reflects concerns about the current high degree of dependence upon direct support payments, balanced against a desire to achieve a more economically and environmentally responsive sector. Total support expenditure is expected to be held approximately constant, but its distribution will change.
- Many of the specific policy proposals echo discussions and analysis in Scotland. For example, the use headage and area-based payments as a form of safety net or resilience support is proposed, accompanied by increased conditionality requirements intended to incentivise improvements in farm productivity and emissions. Suggested conditionality metrics include calving rates and intervals, the recording of genomic data to inform breeding selection, and collection of soil data. The use of LiDAR is suggested for the latter, which may merit consideration in Scotland.
- The potential need for production quotas to counter herd expansion due to increased efficiency and profitability is noted, as it has been in Scotland (albeit not so publicly). In addition, progressive deregressivity (not absolute capping) is proposed along with more restrictive eligibility definitions of minimum claim areas (10ha) and active farming (essentially having livestock). These could be considered in Scotland but would be contentious.
- The emphasis on emission savings extends to consideration of the role of on-farm bioenergy and carbon sequestration, including the potential for voluntary carbon markets to provide additional farm income. The scope and requirements of 'farming for carbon' are not discussed in detail, but are attracting increasing attention in Scotland too and merit further consideration.
- 'Farming for nature' beyond just emission savings is acknowledged as important, but scant detail is provided on specific policy measures (although the potential for land sparing productivity improvements is noted). Rather, as in Scotland, only vague aspirations to pay on verifiable environmental outcomes are offered along with suggestions that regulatory controls will also be needed.
- The pivotal role of advisory support and grant-capital investments is noted, possibly conditional on undertaking planning and training. Similar discussion points have been raised in Scotland, but more thinking is needed on them.

Northern Ireland – Introduction

1. Agriculture accounts for a higher share of economic activity, and of greenhouse gas emissions, in Northern Ireland than in Scotland, Wales or England. Farm income dependency on support payments is high across most sectors, notably for beef and sheep but also dairying and arable.¹
2. **Reducing emissions whilst maintaining agricultural activity is acknowledged as challenging**, with knock-on effects for food security, supply-chains and rural communities. Wider environmental issues (e.g., biodiversity, air and water quality) are also acknowledged.
3. The 'Future Agricultural Policy Framework Portfolio for Northern Ireland'² identified four priorities for achieving balanced improvements across different aspects of agriculture-related outcomes. These are: **increased productivity; environment sustainability; improved resilience; and functioning supply-chains** which help deliver DAERA's 2050 plan – Sustainability for the Future³.
4. The proposed 'Agriculture Policy Programme'⁴ is the intended strategy for delivering against the Framework priorities. It is structured around **nine overlapping themes plus five further cross-cutting elements** (summarised in clusters below), each contributing to one or more Framework priorities. It is also positioned as a 'foundational programme' within the economy-wide '**Green Growth**' strategy⁵ that is to be delivered through a series of Climate Action Plans (similar to Scotland's own Climate Change Plans). Further, '**agri-tech**' is identified as a **priority sector** in the 10x Economy vision⁶ emphasising the focus of innovation and value-added solutions for the NI agriculture sector.
5. Similarly to the Scottish Government's proposals for a Just Transition the Northern Ireland proposals emphasises that there will be a **phased transition** from

¹ For example, £322m of direct support in TIFF of £456m in 2020, compared to Scotland's £445m out of £791m. Mean BPS payment was c.€352/ha, compared to c.€154/ha in Scotland in 2019, noting differences in land capability (Thomson and Moxey 2019 submission to Bew Review).

² Future Agriculture Framework was published in August 2021: <https://www.daera-ni.gov.uk/sites/default/files/publications/daera/21.22.086%20Future%20Agriculture%20Framework%20final%20V2.PDF> and <https://www.daera-ni.gov.uk/consultations/consultation-future-agricultural-policy-proposals-northern-ireland>

³ <https://www.daera-ni.gov.uk/sites/default/files/publications/daera/SUSTAINABILITY%20FOR%20THE%20FUTURE%20DAERA%E2%80%99S%20-%20PLAN%20TO%202050.PDF>

⁴ Consultation on Future Agricultural Policy Proposals for Northern Ireland

⁵ <https://www.daera-ni.gov.uk/articles/green-growth-strategy-northern-ireland-balancing-our-climate-environment-and-economy>

⁶ <https://www.economy-ni.gov.uk/publications/10x-economy-economic-vision-decade-innovation>

incumbent direct support schemes towards reduced direct support and greater levels of support conditional on environmental performance. The policy design principles (e.g., WTO compliance, avoidance of UK market distortion, value for money, avoid creating perverse behaviours, co-design and co-delivery) are similar to the principles of policy evolution in Scotland.

6. The assumption is that agriculture and rural development budgets will be maintained in cash terms until 2025. Although the presentation is slightly different, there are **clear parallels** to policy discussions in Scotland. For example, inter-dependencies between agriculture and (e.g., employment in) rural communities and supply-chains, the need for environmental improvements, greater emphasis on food production than in England, a desire for co-design with stakeholders, and a need to comply with international and UK rules. On the latter point, **it is asserted that the support budget inherited from the CAP is exempt from the UK subsidy control bill.**⁷

Northern Ireland – Conditional area and headage payments

7. The background Evidence Paper⁸ acknowledges that direct income support is less trade distorting than other types of support measure but suggests that decoupled support has encouraged “*types of farming where the aim is not productivity nor efficiency, but to qualify for the subsidy or to maintain farm status in order to qualify for taxation or other benefits*”.⁹ In essence, despite a greater focus on activity from 2015¹⁰ DAERA note that current **agricultural activity requirements**

⁷ The assertion may or may not be correct – agricultural support has never previously been included alongside other sectors in this way but it is a matter of on-going discussion between the Devolved Administrations and the UK Government and ultimately will not be resolved until the Subsidy Control Bill is passed. A proposed amendment clause to exempt agricultural support from the Bill was defeated during the 3rd reading in the House of Commons:

<https://hansard.parliament.uk/Commons/2021-12-13/debates/F5576CDO-8864-457E-AD24-95FA297DD7A5/SubsidyControlBill>

⁸ Background Evidence Paper <https://www.daera-ni.gov.uk/sites/default/files/consultations/daera/Background%20Evidence%20Paper%20V2.pdf>

⁹ This is a familiar policy conundrum. Support payments will have some dampening effect on efficient resource allocation, but so will various market failures and market imperfections (including in relation to risk management) associated with agriculture and land use. Consequently a balance is sought between buttressing farms sufficiently to withstand some external forces whilst still leaving them exposed to some degree of competitive pressure to force incremental improvements.

¹⁰ Despite the number of claimants falling from 38,000 in 2013 to 24,00 in 2021 as a result of EU CAP 2014 new activity rules regarding BPS applicants having to be on-farm decision makers that benefit from and take risks regarding the agricultural activity.

do not require any production (rather keeping land suitable for grazing / cultivation is suffice). This is consistent with concerns raised from the Scottish industry where there remains a desire for policy to have a greater emphasis on activity.

8. As in Scotland, the intention is to retain a degree of direct payments, subject to additional conditionalities. 'Safety-net' area payments are presented as supporting **resilience against external shocks**, although it is acknowledged that they can also **insulate against market pressures for competitive improvement** (a need for better risk management by farmers and new crisis management policy measures is also mentioned). It is proposed that progressive capping (degressivity) of resilience payments will apply above £60k.¹¹
9. Area payment conditionality will be a simplified version of current requirements (cross-compliance measures will be replaced by 'Farm Sustainability Standards'), plus new obligations to undertake **soil testing and nutrient management planning** (as in Scotland). **LiDAR analysis** will be offered to map pollution run-off risks and above ground biomass as an indicator of carbon sequestration (e.g., in hedgerows). Cattle farms will also be required to **record sire information** (as mooted for Scotland now that ScotEID has replaced CTS here). Consideration may be given to **enforced (re)training** rather than financial penalties and for greater **discretion for farm inspectors'** judging severity breaches (again, as mooted in Scotland).
10. Eligibility is proposed to be restricted to claimants with a **minimum of 10 ha** (rather than 3 ha currently)¹², and to those with **proof of active farming** (e.g., having livestock, not just selling grass) in a yet-to-be-defined reference period.
11. Headage payments for beef cattle are presented as necessary to underpin continuing production (the inference is that this could also extend to sheep, but that the absence of individual traceability data hinders payments) and also as a means of supporting activity.¹³

¹¹ In principle, this relates to (assumed) increasing returns to scale and hence declining "need" for support. In practice, farm (not to mention farm household) heterogeneity makes it very difficult to identify appropriate thresholds. If support was competitive, farmers' bids would reveal information on unit costs and support "need", but this would mean deviating from universal support, would incur additional administrative costs and expose farmers to additional risk.

¹² The background evidence paper suggests 5% of current cattle and sheep claimants would be excluded at a 5 Ha minimum threshold, 13% excluded at 7.5 Ha minimum threshold and 20% at the 10 Ha minimum threshold. Similar analysis could be easily run for Scotland.

¹³ It is believed that an absolute cap on support would lead to artificial splitting of some businesses – thereby introducing a policy signal that incentivises perverse behaviours.

12. Headage payments for suckler cows (nothing is suggested for other livestock) will be conditional¹⁴ on **attaining young first calving** (target 27 months), **a short calving interval** (target 370 days 24 months), **and a younger age of slaughter for progeny** (target 24 months)¹⁵, with the aim of reducing emissions from unproductive cows. These mirror stakeholder (e.g., Farmer-Led Groups) suggestions made in Scotland regarding the potential for headage payments to be linked to conditional performance metrics. Similarly, the potential need for (tradeable) **production quotas** to guard against aggregate rebound or backfire effects in Scotland from improved production efficiencies is also noted, and more explicitly. The proposals are to utilise 17% of the agricultural support budget for headage payments – a bound ceiling (for non-green box interventions) under the terms of the Northern Ireland Protocol.¹⁶
13. Headage payments may also be conditional on **providing DNA samples** (along with sire information) of enrolled cattle, to inform **genomic analysis**. The latter is a cross-cutting element to encourage better breed selection, for productivity and emission improvements. This is a more ambitious version of the Scottish Beef Efficiency Scheme, but could accompany introduction of **bovine EID** in Scotland.

Northern Ireland – Farming for Nature

14. It is noted that the existing policy focus has been on protecting areas of high nature value, but that led to intermediate value habitats that contain much of Northern Ireland's species diversity being vulnerable as they are afforded no protection¹⁷. Little detail is offered on possible support measures under this heading. Rather, **vague aspirations to pay on verifiable environmental outcomes** are outlined with reference to (e.g.,) soils, hedgerows, and biodiversity (riparian buffer strips, in-field pollinator strips, winter stubble, native trees and woodlands, semi-natural pastures, etc.). This is similar to limited progress-to-date in Scotland on specific biodiversity measures. A series of **'Test and Learn' pilots** is proposed.
15. It is worth noting that all land managers with a minimum **of 3 ha will be eligible for the farming for nature package** and that being in receipt of resilience funding (minimum 10 ha) is not a pre-entry requirement. Such an approach would have

¹⁴ Payments could either be made conditional on past attainment or could be subject to clawback if future performance is inadequate.

¹⁵ The proposed 24 month threshold (with 4 year transition) is acknowledged in the background papers as requiring nearly 50% of the animals to be slaughtered earlier than currently

¹⁶

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/840230/Revised_Protocol_to_the_Withdrawal_Agreement.pdf

¹⁷ [Background Evidence Paper](#)

interesting potential permutations in Scotland where, for example, estates and smallholders (assuming a minimum threshold was increased) could still access funding for nature restoration – similar discussions in Scotland on the potential for smallholders to opt-into a dedicated biodiversity focused schemes have taken place.

16. The **need for enforced regulatory controls** is acknowledged, mirroring Scottish discussions on reference points, polluter-pays-principle and using a mix of carrots, sticks and guidance. The evidence paper provides data on agriculture’s interactions with biodiversity, water quality, air quality, and climate change that hint at areas where policy attention may be focused (e.g., protection of semi-natural habitats, nitrogen deposition from farming, designated sites, eutrophication of waterways from agricultural run-off¹⁸, ammonia emissions, greenhouse gases – principally N₂O, CH₄). Peatland restoration is not included in the Farming for Nature package.

Northern Ireland – Farming for Carbon

17. In addition to emission savings from better cattle management, reference is made to opportunities for **on-farm bioenergy and carbon sequestration** into (e.g.,) soils, hedgerows and woodland and nitrogen fixing (e.g., legumes and herbs). Similar possibilities have been noted in Scotland. However, explicit mention is made to more efficient cattle production **potentially freeing-up land** for (e.g.,) woodland. Reference is made to possible **carbon trading** opportunities to support farm incomes, but no details are provided.¹⁹
18. Reference is also made to other emission-reducing technologies, including urea fertiliser inhibitors, breeding low methane emitting ruminants, **methane feed inhibitors**. For the latter, a **challenge fund** may be used to encourage commercialisation.

¹⁸ Both nitrogen and phosphorus

¹⁹ There is little prospect of agricultural emissions being included in any compliance markets soon, so credits generated through sequestration or avoidance will be confined to voluntary carbon markets. At present, there are established standards for woodlands and peatlands, but neither are ready for the compliance market and widely accepted standards for (e.g.,) farm soil carbon are not yet in place. Methane inhibitors could potentially allow farmers to sell voluntary carbon credits relating to emissions avoided. Whether this happens depends on how voluntary carbon markets evolve but also whether carbon savings are viewed as additional to what policy obliges farmers to do anyway.

Northern Ireland – Knowledge, Investment and Generational Renewal

19. Knowledge is recognised as pivotal to improved performance, highlighting a need for **on-farm baselining** but also **greater transparency along supply-chains** plus appropriate **advisory support** and **continuing professional development**. Similar issues have been identified in Scotland. It is acknowledged that **succession planning** is also important and may need bespoke support.
20. Similarly to proposals in England and Wales, **investment grants** are to be made available to assist farms to adapt, although it is acknowledged that **over-capitalisation** is a risk. **Encouragement for collaboration** to make better use of capital resources will be encouraged, and also to counter supply-chain power imbalances. Grants may be **conditional on (e.g.) undertaking training and planning**.
21. Similarly to Scotland there is a long term policy ambition to stimulate new entrants to farming and earlier intergenerational transfer of farm businesses. Measures around planning for succession/entry, support services, appropriate training of the next generation as well as appropriate financial incentives are discussed with limited detail of specific measures or budgets.

Northern Ireland – Discussion

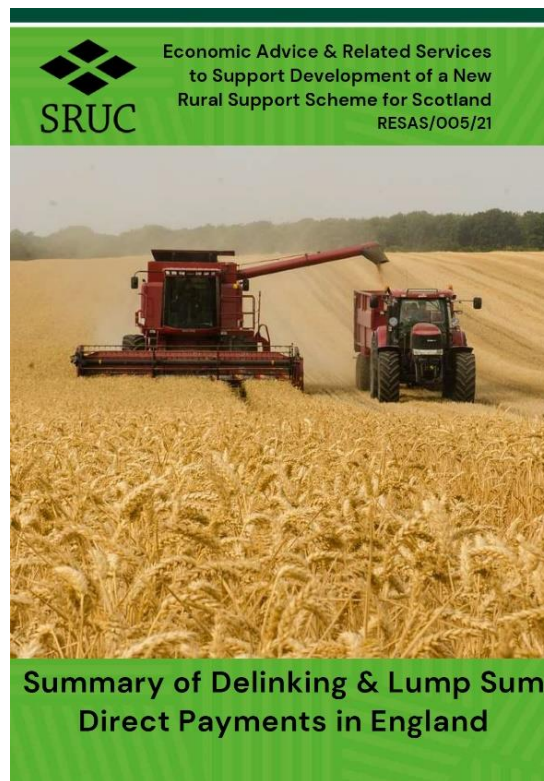
22. The proposals for Northern Ireland are similar to on-going policy discussions in Scotland. In particular, whilst recognising the necessity of reducing emissions and improving other environmental conditions, there is an explicit desire to maintain food production and to sustain rural communities and agri-food supply-chains. This **contrasts with the policy stance in England and Wales**.
23. **Similarities are also apparent in the prioritisation** of productivity, resilience, functioning supply-chains and environmental sustainability. Moreover, there is a high degree of **commonality in specific suggestions for policy interventions**. For example, retention of direct payments with revised conditionality, and targeting of suckler cattle to reduce GHG emissions through improved technical performance.
24. These commonalities offer some **reassurance that Scottish thinking is not untoward or isolated**. However, some uncertainties are highlighted and **much detailed thinking remains to be done**. For example, in relation to biodiversity measures.

25. In addition to ideas already considered within Scotland, the proposals for Northern Ireland do include **some other suggestions that may merit consideration**. These include deployment of LiDAR analysis (to gather information on soil and vegetation carbon), recording of sire information and DNA sampling of beef cows (to gather genomic data to inform breeding selection), and a methane inhibitor challenge fund (to accelerate commercialisation). Further the proposed **crisis framework** provides forethought on budgeting for future crisis from within the existing agricultural budgets – something that Scotland should also consider (e.g., in response to severe weather hardship, sectoral collapse, market access restrictions, etc.).
26. **More contentiously**, the proposals also include suggestions to increase the minimum eligible claim area for the Resilience measure (income support) to **10 ha** and to exclude **currently inactive farmers** from claiming area payments in future. Adopting the former criterion in Scotland would exclude approximately 2,700 current claimants (£9m including LFASS); the effect of the latter criterion is harder to gauge since it depends on the reference period and whether **producing only grass for sale is deemed as a farming activity or not**.
27. Equally, the need for production quotas may need to be raised again more explicitly with stakeholders.

Summary of Delinking and Lump Sum Direct Payments in England

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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²⁰ We are grateful to John Elliott of ICF for comments on an earlier draft

Delinking Direct Payments England – Key Points

- The Basic Scheme (BPS) is being progressively removed in England, with final payments to be made in 2027/8. It is also being 'delinked' from 2024/5.
- Recipients will not have to be active farmers, not have to activate entitlements via control of land and not have to observe current conditionality requirements unless undertaking agricultural activities.
- The rationale is one of simplification to allow farmers to focus on land management and to remove disincentives to sell/rent land out, thereby facilitating structural change.
- Yet if agricultural activities are undertaken, statutory obligations currently within cross-compliance requirements will remain relevant. This means that cross-compliance will be replaced by compliance, which will still require some form of administrative overview and control (i.e., simplification is not guaranteed).
- Given that the BPS will have been eliminated by 2028/9 anyway, it is not clear what will be gained by delinking for a few intervening years.
- Hence it may perhaps be inferred that the prime motivation for delinking relates to accelerating the facilitation of structural change. Delinking may indeed encourage land mobility between different land managers, which in turn may improve production efficiency and/or environmental performance.
- This is consistent with the rationale of the parallel lump sum payments also being offered to encourage farmers to exit from the industry. In this case, farmers can forgo remaining future direct payments in exchange for a one-off, upfront payment. This is, however, capped and seems unlikely to appeal to many.
- Delinking and, particularly, lump sum payments, may have been inspired by the idea of transferable (aka Tangermann) bonds proposed periodically in past decades, but not adopted because of practical shortcomings.
- If delinking and lump sums were to be considered in Scotland, three issues would need to be addressed:
 - i. a reduction in support leverage over at least some land managers (i.e., those least dependent on public payments) and areas of land, thereby potentially weakening influence over environmental performance unless accompanied by new regulatory controls;
 - ii. a need to evolve administrative cross-compliance systems into compliance monitoring and enforcement systems, potentially incurring additional development costs and confusion at same time that other aspects of implementation infrastructure are already changing;
 - iii. the compatibility of accelerated structural change with the principles of a Just Transition and commitments to rural communities, and/or the additional non-agricultural support measures that might be needed (e.g., training, housing, transport).

Delinking Direct Payments England – Introduction

28. The Basic Scheme (BPS) is being progressively removed in England, with final payments to be made in 2027/8. Percentage reductions increase over time but are degressive: starting at between 5% (for payments up to £30k) and 25% (for payments over £150k), rising to between 50% and 70% by 2024/5 (Figure 1). Rates for later years have seemingly not yet been set but will presumably continue to rise towards 100% for 2028/9.

Figure 1 English BPS payments reductions 2021-2024

Payment band	Scheme year			
	2021	2022	2023	2024
Up to £30,000	5%	20%	35%	50%
£30,000 – £50,000	10%	25%	40%	55%
£50,000 – £150,000	20%	35%	50%	65%
More than £150,000	25%	40%	55%	70%

29. Reductions (including to add-ons such as Greening and Young Farmer Scheme payments) commenced in 2021/22, but payments are currently still conditional on agricultural activity, control of sufficient land to activate BPS entitlements and compliance with some (but not all) conditionality requirements.
30. However, this will no longer be the case from 2024/5 when the BPS will be replaced by ‘delinked’ payments: recipients will **not have to be active farmers, not have to activate entitlements** (which will cease to exist) via control of land **and not have to observe current conditionality** requirements unless undertaking agricultural activities.²¹
31. Delinked payments will be based on average payments over the reference period 2020/21 to 2022/23, and will be subject to progressive reductions. In addition, farmers have the option to forgo future direct payments in exchange for a one-off, upfront lump sum payments intended to ease exiting the industry.

²¹<https://www.gov.uk/government/publications/lump-sum-payments-for-farmers-who-leave-or-retire-from-farming-and-delinked-payments>

Delinking Direct Payments England – Background

32. The rationale presented for delinking is one of **simplification**, offering two main benefits:²² **reducing administrative burdens** to allow farmers to focus on land management rather than form filling; and, breaking the link between land and support payments to remove the disincentive (for farmers or others) to sell or rent land out, thereby **facilitating structural change**.
33. However, whilst some administrative burdens will be reduced, it is apparent from the guidance that **some complexities will inevitably arise**. For example, in relation to the interface with legacy and new agri-environmental schemes but also in relation to changes in business structure which may affect payments (notwithstanding that in principle delinking separates future payments from business size).
34. More pervasively, if agricultural activities are undertaken, statutory obligations currently within cross-compliance requirements will remain relevant. **Yet replacing cross-compliance with only compliance will still require some form of administrative overview and control and Defra acknowledge the need for inspection and verification** (i.e., simplification is not guaranteed).
35. No details have yet been provided on **what or how sanctions will be applied** to future breaches or the **expected relative effectiveness** compared to cross-compliance and Good Agricultural & Environmental Condition (GAEC). Whilst obligations under the former may continue because they are statutory requirements, those under GAEC may not. Moreover, delinked payments are not available for clawback penalties, meaning that recourse has to be made to generic powers for prosecution and fines.
36. It is also unclear **what mechanisms will be deployed** for the routine collection of information required to monitor compliance. Robust systems may reimpose previous administrative burdens; lighter-touch systems may encourage poorer environmental performance (which would be a concern given the increasing emphasis on this).
37. Given that the BPS will have been eliminated by 2028/9 anyway, it is **not clear what will be gained by delinking for a few intervening years** if additional administrative adjustments will be entailed. It may perhaps be inferred that the prime motivation relates to accelerating the facilitation of structural change.

²² https://consult.defra.gov.uk/agricultural-policy/lump-sum-and-delinked-payments-england/supporting_documents/lumpsumexitschemedelinkedpaymentsconsultation.pdf

38. **Delinking may indeed encourage land mobility** between different land managers, which in turn may improve production efficiency and/or environmental performance (depending on who gains control, what their motivations are and what other policy measures are in place).
39. This is consistent with the rationale of the parallel **lump sum** payments also being offered to encourage some farmers to exit from the industry. By **forgoing future direct payments and relinquishing control of their land**, farmers can receive an upfront capital sum that may help them to exit the industry. For example, to invest in an alternative non-agricultural business, to fund alternative accommodation or to provide a pension income.
40. However, the size of lump sum available is capped at c.£100k²³ and is subject to taxation. As such, it is unlikely to appeal to larger farmers and even smaller farmers may view it as insufficient to motivate exit from the industry unless other factors are at play.
41. Yet there are some nuances in the lump sum scheme which may add to its appeal. For example, an allowance to **retain up to 5ha and farm buildings**, an option to let some land-out rather than necessarily sell it and, importantly, an option to **retain land if it is used for new woodland creation**.
42. Delinking and lump sum payments may indeed **encourage land mobility** between different land managers, which in turn may improve production efficiency and/or environmental performance (depending on who gains control, what their motivations are and what other policy measures are in place).
43. Delinking and lump sum payments may both have been inspired by the idea of **transferable bonds** proposed periodically in past decades.²⁴ Essentially, a transferable bond converts payment entitlements linked to land (or livestock) into a fully **decoupled capital asset** that generates a flow of annual payments or can be realised by trading on financial markets
44. In principle, such bonds are an **elegant solution** to the problem of transitioning away from support payments to encourage efficient resource allocation whilst cushioning the adjustment pain for farmers unable to continue without ongoing

²³ The payment is calculated as 2.35 x a reference amount. The reference amount is an average of past direct payments over three years, but is capped at £42.5k.

²⁴ Also sometimes referred to as Tangermann Bonds after one of their most recent proponents. See Swinbank, A. & Tranter, R. (eds., 2004). A Bond Scheme for Common Agricultural Policy Reform. Wallingford: CABI Publishing.

support. **If rents and land values adjust** to reflect removal of linked payments, land mobility should increase (including for new entrants).

45. In practice, bonds have not been adopted because of **political and practical constraints**, including the fact that the capital value of bonds deemed necessary to encourage acceptance by farmers is typically higher than what is likely to be realised in financial markets (as may be the case here too) and **doubts about land markets adjusting** given other factors (e.g., tax treatment of land, non-agricultural demand for land).

Delinking Direct Payments England – Discussion

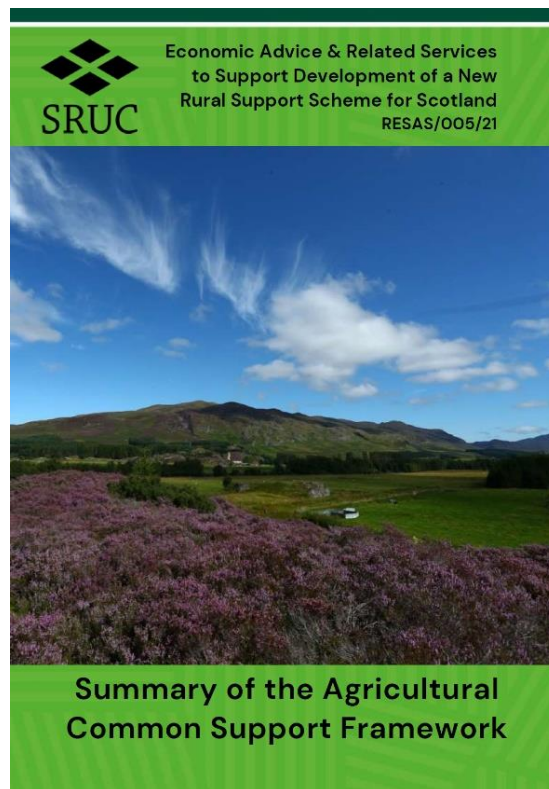
46. Although discussions under the new Agricultural Common Support Framework²⁵ have yet to commence, there does not appear to be any pressure for delinking or lump sum payments in Scotland. If they were to be considered, three issues would need to be addressed:
- i. a **reduction in support leverage** over at least some land managers (i.e., those least dependent on public payments) and areas of land, thereby potentially weakening influence over environmental performance unless accompanied by new regulatory controls;
 - ii. a need to evolve administrative cross-compliance systems into compliance monitoring and enforcement systems, potentially incurring **additional development costs and confusion** at same time that other aspects of implementation infrastructure are already changing;
 - iii. the **compatibility** of accelerated structural change with the principles of a **Just Transition** and commitments to rural communities, and/or the additional non-agricultural support measures that might be needed (e.g., training, housing, transport).

²⁵ See accompanying WP4 briefing paper,

Summary of the Agricultural Common Support Framework

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

Output Ref: RESAS/005/21 – W4



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²⁶ We are grateful to John Elliott of ICF for comments on an earlier draft

Common Support Frameworks – Key Points

- The UK's departure from the EU requires a new governance mechanism to coordinate devolved decision making on agricultural policy, to avoid unacceptable spill-over effects on competitiveness and on international obligations. The provisional 'Agricultural Common Support Framework outline agreement and concordat' published in February represents this.
- The Framework essentially sets-out a consensus-based process by which agricultural policy decisions by one part of the UK are notified to, scrutinised by, and approved (or not) by other parts. The intention is to anticipate and avoid policy disputes, and to provide a means for resolution should disputes arise.
- Four levels for discussions have been established: the Inter-Ministerial Group for Environment, Food and Rural Affairs (IMG-EFRA), supported by the Senior Officials Programme Board (SOPB), which delegates to the UK Agriculture Policy Collaboration Group (PCG) and UK Agriculture Market Monitoring Group (MMG).
- The policy scope is: agricultural spending and associated regulation and enforcement; marketing standards; crisis measures, public intervention (PI) and private storage aid (PSA); cross-border holdings; and, data collection and sharing.
- As a formalised process for collective, pan-UK discussions of how devolved agricultural policies may interact, the Framework is a welcome development.
- However, the precise decision criteria and relative weightings to be applied are not specified. Consequently, it is not clear what would trigger a disagreement or a dispute, nor how evidence and analysis would be used to seek a resolution.
- For example, it is not stated what would constitute sufficient market and/or cross-market effects to cause concern.
- Similarly, it is not clear how effects are to be measured in terms of, for instance, specific data sets and counterfactuals to be used and over what time-period. Nor is it clear how academic and anecdotal evidence will be combined.
- Whilst the absence of pre-specified decision criteria and evidence metrics may allow for creative negotiations, such ambiguities may also mask the nature of such negotiations. This is perhaps to be expected and is arguably no different to many other existing pan-UK policy fora.
- However, the context is now different and more highly politicised, with somewhat different policy visions and preferred support measures across the four home nations.
- The effects of events in the Ukraine on the availability and price of agricultural outputs and (especially) inputs in the UK may provide an earlier-than-expected crisis management test of the Framework.

Common Support Frameworks – Introduction

47. Agricultural policy is a **devolved matter** for each home nation of the UK. However, market and supply-chain linkages mean that policies in one part of the UK can have **implications for competitiveness** in other parts. Moreover, account also needs to be taken of the compatibility with UK's **international obligations** (most notably WTO rules but, now also the Northern Ireland Protocol).
48. Prior to the UK's exit from the EU, devolved decision making on agricultural policy was governed by the Common Agricultural Policy (CAP) framework in such a way as to avoid unacceptable spill-over effects across the UK (and beyond) whilst still allowing for devolved flexibility. That flexibility, has already led to divergence between the UK administrations in their Pillar I and Pillar II support priorities and approaches.
49. With the UK's departure from the EU, new governance mechanisms are required to coordinate agricultural policy decision making across the home nations. The 'Agricultural support common framework: Provisional framework outline agreement and concordat'²⁷ published in February represents this replacement domestic governance framework.
50. Where one or more of UK, Scottish or Welsh Governments propose changes that have implications for the rest of the UK, or where rules in Northern Ireland change in alignment with the EU, the Framework is intended to provide governance structures and **consensus-based processes for considering and managing** the impact of these changes.
51. More specifically, the Framework exists to **allow devolved policies to diverge whilst also seeking to: enable the functioning of the UK internal market**; ensure the UK can negotiate, enter into and implement new trade agreements and international treaties; enable the management of common resources; administer and provide access to justice in cases with a cross-border element; and safeguard the security of the UK.
52. As such the provisional Framework essentially sets-out the process by which agricultural policy decisions by one part of the UK are notified to, scrutinised by, and approved (or not) by other parts. This includes specification of various fora for deliberation, the type and sources of evidence to be used in judging policy

²⁷

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1052061/agricultural-support-provisional-common-framework.pdf

effects, and the mechanisms for making collective decisions (including dispute resolution).

Common Support Frameworks – Overview

53. The Framework builds upon existing domestic governance arrangements, including the Devolution Memorandum of Understanding (MoU) and the accompanying International Relations (IR) concordat²⁸. It is non-legislative, drawing only upon existing (particularly retained EU law relating to the CAP) rather than new legislation.
54. The policy scope of the framework includes: agricultural spending and associated regulation and enforcement; marketing standards; crisis measures, public intervention (PI) and private storage aid (PSA); cross-border holdings; and, data collection and sharing (including for obligations under the WTO Agreement on Agriculture (AoA), via the UK Agriculture Act 2020).
55. In addition, the Framework is **closely linked to and will interact with a number of other frameworks**²⁹, including those relating to: Plant Health; Organics; Fertilisers; Chemicals & Pesticides; Plant Variety & Seeds; Zootechnics; Animal Health & Welfare; Food and Feed Safety and Hygiene; and, Food Compositional Standards & Labelling.
56. The intention is to **anticipate and avoid policy disputes, but to also provide a means for dispute resolution** should they arise. This approach is guided by the principles of the Joint Ministerial Committee (EU negotiations) and recognises that issues may lead to: **a difference of view** (which has no impact on others); a **disagreement** (which has some impact and requires resolution, ideally at official level); and a **dispute** (which may require escalation to the political level to be resolved).
57. To this end, four levels of fora for discussions have been established. The highest level is political through the **Inter-Ministerial Group** for Environment, Food and Rural Affairs (IMG-EFRA). This is supported by the **Senior Officials Programme Board** (SOPB), comprising senior civil servants at the Deputy Director grade (SC1, Grade 5) and meeting monthly. Scottish representation will rotate around the Deputy Director for Future Environment, Agriculture & Rural Economy, Food &

²⁸ See:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/316157/MoU_between_the_UK_and_the_Devolved_Administrations.pdf

²⁹ See <https://www.gov.uk/government/collections/uk-common-frameworks>

Drink, and Marine Scotland. The chair of the meeting will rotate in line with the IMG-EFRA meetings.

58. SOPB is supported by working groups of less senior, delegated officials. Two such groups have been established in the form of the UK Agriculture **Policy Collaboration Group** (PCG) and the UK Agriculture **Market Monitoring Group** (MMG). Other groups and/or sub-groups may be created as-and-when needed (and interactions with existing groups is likely e.g., Four Nations CVOs Group, Four Nations Organics Group, Trade Measures and WTO Operations Board).
59. The PCG will meet at least monthly to **share thinking on ideas and plans** for new policy, schemes and standards or changes to existing ones, to then make recommendations (through SOPB) to the IMG-EFRA on their acceptability. PCG is supported in this by the MMG which is responsible for analysing and coordinating opinion on policy impacts. PCG will be staffed by policy officials and MMG by analysts, with Secretariats and Chairs (at least in the first instance) provided by Defra.
60. There is a requirement to maintain data collection on agricultural markets per EU arrangements. The MMG is responsible for providing a **consistent evidence base**, comprising a mix of **quantitative market price and production data, market intelligence, industry representations and political lobbying**. Recourse may be made to government analysts and legal teams, but also to external experts, industry sources and stakeholders. Officials will be responsible for briefing their respective Ministers, but evidence will be shared more widely where possible.
61. The PCG is viewed as the main decision-making forum, using information from the MMG to review policy changes and make recommendations. If a **dispute arises that cannot be resolved by delegated officials it is escalated to senior officials on SOPB**, and if still unresolved then **escalated further to the IMG-EFRA level**. In less contentious cases, PCG-level recommendations will still pass through SOPB to the IMG-EFRA for sign-off.

Common Support Frameworks – Discussion

62. As a formalised process for collective, pan-UK discussions of how devolved agricultural policies may interact, the Framework is a welcome development. However, although the types of issues and evidence to be considered are identified, the precise decision criteria and relative weightings to be applied are not specified. Consequently, it is not clear what would trigger a disagreement or a dispute, nor how evidence and analysis would be used to seek a resolution.
63. For example, whilst the list of types of support measures to be scrutinised includes coupled payments, input subsidies and marketing standards, it is not stated **what**

would constitute sufficient market and/or cross-market effects to cause concern about these. Would 5% price changes? 4% market share changes? 3% farm income changes? 2% land value changes? 1% farm labour changes?

64. Equally, as a marketing standard, the decision to retain the EU's carcass classification standards for pigs, sheep and beef **may restrict industry innovations** to modernise the grading system to better reflect primal yield and / or eating quality that could help differentiate premium export products.
65. Given that the JMC principles include **recognition of a need to allow equivalent flexibility for tailoring policies to the specific needs of each territory** as is afforded by current EU rules, some degree of market effects will presumably be tolerated – but it is not clear how the balance will be judged and whether on a case-by-case basis or according to more general rules.
66. Similarly, it is **not clear how effects are to be measured** in terms of, for instance, specific data sets and counterfactuals to be used (e.g., price series, contingent scenarios) and over what time-period (e.g., months, years), nor how academic and anecdotal evidence will be combined (e.g., statistical analysis vs. political lobbying).
67. There may be a requirement for **closer formal liaison between administrations** than current if the PCG and MMG are to effectively fulfil their remits – proactively sharing knowledge, information and good practice, discuss policy developments, and providing an evidence base on market developments and the impacts of policy interventions. The frequency of PCG (monthly) will **require regular and up-to-date intelligence from across Scotland's agri-food sector**.
68. Whilst the absence of pre-specified decision criteria and evidence metrics may allow for creative negotiations, such **ambiguities may also mask the nature of such negotiations**. This is perhaps to be expected and is arguably no different to many other existing pan-UK policy fora.
69. However, the context is now different and more highly politicised. In particular, whilst devolved policies and payment rates did diverge under the CAP, the range of accepted support measures was broadly common across the UK. This contrasts with the current position where **policy visions and preferred support measures differ somewhat across the four home nations**, even if budget envelope share remain constant.
70. For example, although the language has perhaps softened recently, Defra Ministers have long expressed an **expectation that direct payments will be removed** across the UK in favour of more targeted support for public good provision, with payment rates reflecting public good values (or 'social values') rather than income

foregone and costs incurred as set out in the WTO's AoA. By contrast, Northern Ireland and Scotland have expressed a preference to retain an element of direct payments, but with enhanced conditionality.

71. This difference in stance is likely to raise **'level-playing-field'** disagreements if not disputes over the acceptability of both decoupled areas payments and voluntary coupled payments being available in some parts of the UK but not others. In particular, introducing new headage payments and attaching conditionality requirements for agricultural activity and/or attainment of specified production efficiency to area payments may prove problematic, both in relation to domestic markets and WTO Amber box limits.³⁰ It will be interesting to see how questions around **effective support net of compliance obligations** and market impacts are handled within the Framework.
72. The Framework (Annex D) refers to WTO amber box limiting, noting that "a draft concordat to sit alongside the [WTO] regulations is currently being developed". The wording of this concordat may impact on this Framework – particularly given the signalling from Defra and Welsh Government officials to move beyond AoA 'additional costs and income forgone' basis for environmental support to farmers.
73. Similarly, differences in marketing **standards** (e.g., permitted production technologies, gene editing, animal welfare, food labelling) and crisis support measures may also be contentious. For example, in relation to the **relative size of home markets** (i.e., England dominates), pan-UK nature of supply chains, and geographical variation in exposure to some shocks (e.g., extreme weather, disease outbreaks).
74. The requirement for potential impacts arising from agricultural policy developments in one administration to be highlighted to PCG introduces a **new policy impact assessment burden** on administrations. During the rapid, and concurrent evolution of agricultural policy across the administrations to 2025 this could lead to early disputes that will require **analytical support and expertise regarding potential internal market impact and WTO compliance**. It is noteworthy that these notification requirements only relate to (i) market support; (ii) coupled support; (iii) input-use support; (iv) export subsidies.
75. The Ukraine crisis and counter sanctions against Russia are potentially leading to an **input cost crisis** (rapid fuel, fertiliser and energy cost inflation) that is impacting on spring production decisions (both in the crop and livestock sectors)

³⁰ At the UK-level, the Amber box ceiling may be ample, but trading partners may view its use as against the spirit of trade agreements, if not the letter. Moreover, its allocation across the UK may be contentious.

across the UK. Input cost instability could be deemed '**exceptional market conditions**' that may trigger a test of this Framework sooner than expected with regards crisis management options and measures.

76. The current draft of the Framework only considers PSA and PI (weak output prices) as responses to crisis management, yet there may be a need to reconsider if options for input intervention are required in light of recent developments. Indeed, the current crisis likely already merits a the PCG establishing a temporary crisis-specific sub-group.



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