

## Written submission from Nourish Scotland submission

### Introduction

Nourish is concerned about healthier food and a better environment. We need a thriving and diverse farm and local food economy to drive this. CAP is the major method to deliver the social goods of farming, by paying producers to deliver all the things that society needs, but that the market fails to price in: rural jobs; local services; carbon reduction; a healthy population, and the safeguarding of our natural resources and natural heritage.

Nourish supports the use of CAP funds - both Pillar 1 and 2 to deliver these benefits. Farmers who produce REAL, measurable benefits should be rewarded with funds. Farmers who do not, should not receive the funds - even if they have been used to getting them for many years.

The CAP negotiations this round have been driven by three aims. To deliver:

- A vibrant rural economy - that's rural jobs and farm retail; apprentices and new entrants to the farming industry
- A low carbon farming impact - to reduce the 20% of GHG emissions that come from food, and to pay farmers to store carbon in soils and trees
- Community benefits from CAP - that's healthy food; help for non-farm rural businesses, and support for traditional forms of land management.

Nourish encourages the Scottish Government to use our CAP funds in a way that ensures every farm is measured and rewarded for the jobs, carbon sequestration and healthy food it helps deliver. With this aim in mind, our support or otherwise for the proposed measures are as follows:

### **KEY ISSUES: DIRECT PAYMENTS (Pillar 1)**

#### **The move from a historic basis for payments to an area-based system**

Direct payments in Scotland currently relate to the production-linked subsidies farmers received in the year 2000. Not only are we still rewarding historic overstocking but because subsidies could be bought, sold and transferred onto less expensive land, millions of pounds are paid every year to people who are no longer farming or who have never farmed.

The new CAP requires all Member States to move towards an area-based system by 2020. England has already done this. The question for Scotland is how quickly we do this.

**Nourish argues that this should be done as soon as possible because an area-based system is fairer.** Farmers who have been getting more subsidy than average because of historic payments have had several years notice of the change. However, we recognize that some farm businesses are highly dependent on a subsidy which may form a large percentage of the

farm's income (in many cases over 100% of net income) so some transitional arrangements may be required.

### **Payment rates for an area-based system**

Most of Scotland's land is rough grazing, and a system which simply paid a set amount per hectare would move huge amounts of money onto land which produces relatively little (and in some cases result in increased payments to large landowners who are very comfortable already).

The Scottish Government proposes payment rates of around €20-25 per hectare for rough grazing and €200-250 per hectare for arable land and permanent pasture. This still moves some money 'up the hill' and will 'over-compensate' large landowners unless reductions for large holdings are introduced.

It is hard to predict the impact of these changes in the pattern of support. Direct payments are a very blunt instrument and will require to be balanced by placing an overall cap on Pillar 1 payments and making mandatory redistributive payments, as described later in this briefing. This would ensure the delivery of more jobs, more social benefits, and the creation of financial incentives to bring more producers into the industry.

**Nourish supports the proposal to use two payment 'regions' for the Basic Payment provided that other measures are put in place to reduce transfers to larger landowners. Whatever model adopted the overall effect of these reforms must be to support smaller farms and active farmers and to create an overall cap on the level of payments received by any one business.**

### **Coupled payments**

The number of cattle in Scotland continues to decline, despite a sharp improvement in farm-gate prices in the last few years. WTO rules do not allow governments to use subsidies to increase production, but the hope is that these payments may stem the decline and maintain the viability of supply chains.

**Nourish's view is that while we would support efforts to assist the grass-fed beef sector, the subsidy is poorly targeted, providing a bonus to farmers who are doing well, while not necessarily improving the productivity of farmers who are not doing so well or persuading the farmers with a handful of cows to keep going. There is a risk that paying this subsidy may simply continue to support inefficient production systems. Nourish does not support coupled payments and would prefer to spend this money under Pillar 2 where it can be used to convey wider benefits to society.**

## **Capping (or degressivity)**

While Scotland has - in EU terms - low CAP payment rates per hectare, its farms are also much larger than the European average. It therefore has significant numbers of farms receiving more than €150,000 per year in subsidy.

The consultation estimates that the minimum EU requirement of a 5% cap above €150,000 will generate an extra €1m per year for Pillar 2 (implying that a 100% cap at €150,000 would yield €20m per year). The consultation adds that a total cap at €500,000 (!) would yield €5-10m for Pillar 2.

**We propose that the Scottish Government should go further than is currently proposed and that a total cap should be applied at €150,000.** We do not accept that any competitive farming business should be dependent on this scale of annual, no strings attached, public subsidy. The €20m or so which would be transferred to Pillar 2 closes some of the gap in SRDP funding created by a reduction in the transfer rate from Pillar 1 to Pillar 2.

## **Redistribution**

The new CAP also provides for direct payments to be redistributed towards smaller farms, with a higher rate of subsidy applied to the first 50 hectares. This would clearly benefit small-medium producers up to around 100 hectares.

Nourish Scotland's view is that these smaller family farms can play an important part in the local economy and social fabric, and that this additional financial support may make the difference between keeping going and giving up. Smaller farms may be more likely to become involved in selling direct and short supply chains. Research suggests that smaller farms have higher biodiversity and higher productivity per acre and can create more jobs.

These smaller farms are also prime candidates for aspects of the rural development programme, and would benefit from greater **co-operation** and the proposed **advice service**.

**Nourish would therefore strongly support Redistributive Payments for smaller farms and a higher subsidy for farms less than 50 ha. We would support a model that allowed for more targeted redistribution still, with the highest payments (say two times the standard payment) for the first 10 ha of land farmed, standard payments for farms of 10-50 ha and lower (say half) the redistributive payments for farms bigger than 50ha plus.**

## **Greening scheme**

The new CAP provides a 'basic payment' of 70% and requires farms to undertake 'greening' measures to receive the balance of 30%. The Government proposes the option of implementing a certification scheme designed to meet Scottish environmental priorities. **Nourish Scotland supports the development of an 'equivalent' certification scheme in Scotland.** Developing and implementing our own scheme using best scientific

advice and supporting this through the advisory service makes it clear that this is about promoting best practice rather than ticking boxes. An equivalent certification scheme, by building in basic good practice in land management, also raises the bar for agri-environment and climate scheme projects under Pillar 2.

## **RURAL DEVELOPMENT PROGRAMME (Pillar 2)**

The Rural Development budget is only a third of the direct payments budget but at £1.32bn over the period 2014-2020 is still a considerable investment.

### **Less Favoured Area Support Scheme (£459m)**

LFASS is currently in a transitional phase and member states have agreed to introduce a new area designation of Areas Facing Natural Constraint by 2018 at the latest. LFASS will be subject to review during this re-designation process. **Nourish believes that support for farmers operating in constrained areas should be continued but that any new scheme should clearly specify and target the public and environmental benefits of this support.**

### **Forestry Grant Scheme**

The objective of the Forestry Grant Scheme is to increase woodland cover by 10,000 hectares a year for the next ten years. For the first time, agroforestry (integrating trees with production, whether livestock or arable) is one of the options.

**Nourish supports agroforestry as bringing multiple benefits** (reduction in soil erosion and flood risk; biodiversity; local employment; shade and shelter for animals (and plants) and encourages the government to be more ambitious in its aspirations for agroforestry.

**Nourish welcomes the provision by the Forestry Commission of ‘starter farms’ on partially-afforested farms and supports new forms of woodland creation and management which generate local employment including forest crofts; continuous cover management; coppicing, and use of non-timber forest products.**

### **‘Agri-environment-climate’ (£355m)**

This budget heading covers a wide range of land management measures to support on-farm biodiversity, water and soil quality and respond to climate change. This budget includes support for organic conversion and maintenance. **Nourish welcomes the continued support for organic farming. We would also want ‘organic’ to add points in assessment of RDP applications under other strands, including woodland, LEADER, and food and drink business applications.** We also welcome the increased emphasis on co-operation in developing land management measures and the ability for land manager to access improved advisory services.

### **Food and drink businesses (£70m)**

This fund provides grants to new and existing food processing businesses to support investment. **Nourish welcomes the availability of this support to small businesses and social enterprises.** Nourish suggests that in assessing applications priority should be given to proposals which:

- Produce healthy foods, low in sugar and high in fibre
- Use organic ingredients and produce organic food with minimal additives
- Use Scottish ingredients
- Demonstrate best practice in resource use efficiency
- Demonstrate investment in staff skills or enhanced employability

### **New entrants scheme (£20m)**

This fund provides capital grants of up to €70,000 to people aged under 40 starting up new farming businesses. Dedicated advice to new entrants will also be available through the new advisory service. New entrants (unlike at present) will also have access to direct payments from Year 1.

**Nourish welcomes this fund and encourages the Scottish Government, NFUS and others to promote farming and growing as viable and worthwhile career options to a more diverse audience.** The Scottish Government, Forestry Commission, large landowners such as RSPB, and local authorities should also encourage new entrants through the creation of new holdings and new forms of landholding.

**Nourish also recommends its New Farmer Programme as an example of an in-depth training, work experience and business development programme for new growers and farmers.**

### **Advisory service (£20m)**

A new centrally co-ordinated advisory service will provide integrated advice on land management, climate change mitigation, biodiversity, carbon footprinting, food marketing, plant health, animal welfare etc.

**Nourish believes this has significant potential to improve the production of public goods from farming. Any farm or business receiving support under the RDP should be required to undertake a carbon audit and develop a carbon reduction and resource use efficiency/waste reduction plan – to be provided free of charge by the advisory service.**

### **Co-operation (£10m)**

This fund provides support for facilitating co-operation, which will enable land managers to work together – for example on 'landscape level' biodiversity projects. **Nourish welcomes the availability of this new funding.**

## **Small farm support scheme**

**Nourish welcomes this scheme, and in particular the provision for larger grants (up to £125,000) for small farms working together. Again, this fund could be imaginatively to support shared revenue spending on for example an apprentice or a contracting service shared between a number of farms.**

## **LEADER (£66m)**

LEADER supports bottom-up rural development through bringing stakeholders together to agree priorities for coherent local development. The new scheme includes greater provision for rural-urban partnerships.

**Nourish welcomes the scope within this budget to support short supply chains between rural and urban areas. We would hope to see LEADER funding used imaginatively and strategically – for example:**

- To create a network of on-farm education centres to support work done by RHET, Soil Association and others to link children and young people from urban schools to farmers and growers in their region
- To raise the skills of staff in the public kitchen to use fresh, seasonal Scottish produce in preparing healthier but still affordable food
- Investment in short supply chains linking producers in rural areas with demand in both rural and urban areas.

This sort of joined-up approach will require a degree of co-ordination between local action groups which also have many other demands on their budgets.

## **Knowledge Transfer Information Fund (£10m)**

**Nourish welcomes the doubling of this fund from the current £5m and would encourage an emphasis on dissemination of organic and agro-ecological practice and research and on agroforestry.**

## **Non-farming business support (£20m)**

While Nourish's main focus is on strengthening the local food economy, we see the importance of the wider rural economy in supporting a vibrant and resilient food sector. Agritourism, village shops, bed and breakfasts, restaurants all create local employment while also having the potential to support a strong local food culture.

**Case officers involved in assessing applications must understand the value of non-farming businesses to the local economy; and to keep this budget under review during the early stages of implementation.**