

Future farm support – what are the priorities?

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Amongst the latest Brexit related politicking last week Michael Gove MP, Secretary of State for Environment, Food and Rural Affairs suggested at the Scottish Conservative Party conference that the UK Government may wish to start spending money on devolved matters – including agriculture – in the future. Whilst acknowledging that the devolution settlement would be honoured he commented “I think that once we’ve given the Scottish Government their fair share, the UK Government should be able to spend additional money on the basis of need for projects that will strengthen the Union.”

So what does that mean? On the face of it you might be led to think that it may mean more money for Scottish agriculture. However, when you think about the statement what “their fair share” would amount to (for the Scottish Government) would then be the fundamental question. We know from the on-going Brexit saga that if we are to have an open and strong relationship with the EU post-Brexit that the EU expect State Aid rules to be followed for agricultural support and that they may put conditions on how the budget is spent. The EU aside, we also know that the UK Government have guaranteed “farming” support up until 2022 (the latest end-point for this UK Parliament), although the Scottish Government still have not had confirmation if that includes all elements included in the Scottish Rural Development Programme.

So what, therefore was Mr Gove hinting at? Whether we remain in the EU or eventually extricate ourselves from the EU we know that rationale for, and delivery mechanisms for agriculture policy support are changing. There has been much vaunting of the phrase “public money for public goods” from Whitehall in the last 18 months meaning that there has been a step change at UK Government level in thinking about why, and how, farmers receive support. Perhaps co-ordinated support across the UK for headline “public goods” are what he is hinting at – only time will tell – but undoubtedly any such approach appears strange when agriculture and environment are fully devolved policy areas.

Last year, the 4 UK administrations each set out their stall for future agricultural support in a series of consultation papers and they were quite different in their vision – with England and Wales setting out visions for scrapping direct support payments over a transition period and replacing it with better targeted agri-environmental / animal health and welfare support with a focus on improved productivity/efficiency. Northern Ireland’s consultation suggested retaining elements of Direct Payments in order to provide a safety net for farmers, with better targeting of agri-environmental support with some innovative ideas around insurance, and crisis management. In Scotland “Stability and Simplicity” suggested a 5 year period of relative policy stability, with opportunities for “pilots” to trial new approaches to enhance “public

value” from support. The clear and fundamental difference between the proposals was that food and farming was at the heart of the Scottish Government’s proposals, but there was limited focus on food production south of the Border.

So what might future farm support look like?

Under the current CAP framework, the UK administrations already have considerably different approaches to supporting agriculture – following common principles set by the EU. Having a common UK framework is likely necessary in areas where the issues are generic across the UK, including: animal welfare; pesticide safety; food safety; livestock traceability; and environmental pollution/protection. This framework may set overall principles for support, but must be flexible enough to recognise the different priorities, assets, and susceptibilities faced by farmers in different parts of the UK.

Until future trade relationships with the EU and others are agreed the detailed needs of agricultural / food support are largely guesswork. As a significant net food importer a “cheap food policy” is attractive to many politicians – there are lots of food consumers after all – but that approach would really be detrimental to a successful food and farming sector. The overall aim of any future farm, food and rural policy should be to develop more resilient businesses that are better placed to improve resource use efficiency and boost productivity, while enhancing Scotland’s environmental credentials and supporting the sustainability our rural communities.

There are risks in throwing the baby out with the bath-water and that is why Scotland’s approach, providing a period of reflection and consideration is welcome. Cutting direct support to farmers too quickly could put the UK significantly out of step with other countries, and would make many sectors uncompetitive with EU imports. In the long-term it is likely that future arrangements need to combine an element of continued direct income support with additional funding aimed at encouraging productivity improvement alongside reducing the environmental footprint of production, with additional targeted agri-environment schemes, support for upskilling/ diversifying and support for peripherality / disadvantaged areas.

Direct Support: There will likely be a need to maintain a reduced base level of direct support that can be justified in terms of cross compliance requirements that deliver public value, whilst acting as an income support tool that farms can use to mitigate volatile markets and adverse weather. A degree of coupled support will likely be required to maintain activity in remote or disadvantaged areas, or to retain critical mass in some sectors (e.g. sheep, beef). As part of future justification for receiving these support payments, it should need some additional requirements on the farmer’s part (e.g. a nutrient management planning, animal health planning, etc.)

Transformative Support: With a reduced direct support budget there will need to be a greater emphasis on transformative climate support. Support for effective knowledge exchange is therefore vital over the long-term to drive innovation and support longer term change within the sector. This can cover a wide range of transformative actions including: structural changes (new entrants / retirement), productivity improvements, reduced environmental footprint, knowledge exchange, uptake of new technologies and innovative practices, diversification, training / skills, etc.

Environmental Support: Support for delivering environmental and social outcomes will likely need greater prioritisation in the future in order to maintain justification of future agricultural budgets. In particular there could be continuation of many of the existing agri-environment climate and woodland/forestry schemes in the short run, with an introduction of some support for broad and shallow elements to help producing farm environment and animal health plans that could be a condition in the longer-term. There will be opportunities to introduce regionalised Payments for Results schemes and top-tier highly targeted Payments for Results schemes for priority species/habitats.

Peripherality / Disadvantage Support: There needs to be consideration of how to factor in additional costs associated with farming and crofting in remote and disadvantaged areas as part of any future support scheme (a replacement for LFASS). Additional haulage costs faced by remote businesses (e.g. £36 per tonne of fertiliser to Outer Islands, £28 per tonne to inner islands and £18 per tonne to remote mainland areas in 2016) are a major burden to the competitiveness and resilience of farmers and crofters in many peripheral areas.

Ultimately, the objectives for future agricultural support need to be debated – remembering that without farmers and crofters on the ground many of the public good elements that are being discussed will not be deliverable. Farmers and crofters are managing land, often in challenging conditions, producing food for the nation and supporting a wide network of upstream supply businesses and downstream processors and retailers. Agriculture is an integral part of Scotland's rural economies and a major contributor to Scotland's successful food and drink and tourism sectors. Once the objectives for future support are agreed the design of appropriate policy mechanisms can be begin in earnest – helping farmers and crofters become more resilient whilst delivering more transparent value for money to society.