



# ***The Highlands & Islands Agricultural Support Group (HIASG)***

## ***Position on post-Brexit land management policy***

***March 2020***



## Summary Position

1. The Highlands and Islands (H&I) represents over a third of the land area of Scotland and is highly distinctive. For example, including over 0.5m ha of community land, extensive common grazings and peatlands, a high proportion of Scotland's environmental designations, and is subject to a high degree of peripherality.
2. HIASG's focus has always been, and remains, on issues of land management which are not the primary focus of other bodies such as HIE and Local Authorities more concerned with, for example, community and economic development.
3. HIASG looks to post-Brexit policy to support both productive agriculture and positive environmental outcomes, to deliver a range of valued ecosystem services to Scotland as a whole. In particular, policy needs to serve the distinctive and heterogeneous needs of the region better than the CAP has.
4. More flexible tailoring of support is required to address variation in both the potential for different ecosystem services to be delivered from different sites and variation in management scale. That is, some sites are suited to productive agriculture, some to providing other ecosystem services; crofters and small farmers face different challenges and play different roles to larger farms and estates.
5. Designing more appropriate policy support will not be easy, but HIASG would wish to have representation on any relevant group(s) charged with design and would expect future policy to satisfy various criteria. For example, recognising the distinctive and heterogeneous nature of H&I land use and land managers, balancing different land uses (including agriculture, forestry, recreation and renewable energy) and rewarding biodiversity, carbon and landscape management.
6. We assume that Scotland will continue to shadow the evolving CAP as closely as possible, and would welcome the greater focus on smaller farms (including capping maximum payments) and a strong emphasis on combatting climate change.
7. By better aligning incentives (public money for public goods), it is hoped that the declining enrolment in agri-environment schemes across the region would be reversed, ecosystem service delivery would improve and the viability of supported businesses would increase.
8. Achieving such changes will not, however, be easy and a careful transition between current and future arrangements will be required to avoid disruption. In particular, the loss of incumbent land managers' experience, local community ties and cultural contributions should be minimised.
9. HIASG needs to offer some suggestions for making public money work harder in this context. We appreciate the need for reducing complexity and keeping delivery costs low, but believe that a mechanism incorporating a relatively low basic payment with tighter cross compliance for all of Scotland's qualifying land, with ring-fenced sub-pots for flexible local objectives would be achievable and desirable - as would a budget more reflective of the region's contribution to policy objectives.
10. As a specific example, rather than attempting to compensate for poor quality agricultural land, LFASS should be abolished and replaced with a scheme rewarding positive outcomes (e.g. carbon sequestration, habitat maintenance), and/or explicitly addressing peripherality issues. Other possible changes include payment-by-results and the improved integration of advice and grant aid.
11. HIASG is keen for piloting of different policy ideas to commence as soon as possible, to test the practicalities of governance and administrative processes, particularly where co-ordination across multiple land holdings is required. As such, we would welcome early engagement in the design and promotion of policy changes.



# **HIASG Position on post-Brexit land management policy**

## **Introduction**

1. Uncertainty over the terms of the UK's departure from the EU remains high, and is amplified by an apparent weakening of the WTO. Nevertheless, any changes to trade arrangements (both tariff and non-tariff measures) or to support payments following the UK's departure from the EU after the transition period mean that Brexit has profound implications for agriculture and land use across the Highlands and Islands (H&I). This reflects the importance of the EU as an export market (particularly for lamb), a source of key labour (particularly in downstream processing), and the source of ring-fenced funding under the Common Agricultural Policy (CAP).
2. However, the CAP has not served the distinctive nature of H&I agriculture particularly well and Brexit provides an opportunity to design domestic policy support that is better tailored to the region, better delivering outcomes aligned to the Scottish Government's National Performance Framework. For example, explicit inclusion of peripherality criteria, greater flexibility to accommodate heterogeneity in scale and intensity of farming, and increased rewards for positive environmental outcomes (noting the region contains a disproportionately high area of designated sites). Nonetheless, this will require agreement both on policy objectives and on appropriate policy instruments to deliver against these – all within the constraints of funding availability and political feasibility (at Scotland, UK, EU and global levels). **HIASG would wish to have representation on any group(s) advising on policy design.**
3. Even without Brexit, agriculture in H&I already faces challenges from poor productivity growth, access to markets, low incomes and a lack of generational renewal. At the same time, the sector faces demands to improve environmental performance (notably in relation to climate change and biodiversity) and to contribute to healthier food consumption, whilst also supporting economic and community vitality in rural areas.<sup>1</sup> The breadth and complexity of these cross-cutting issues requires a degree of balance across multiple policy objectives, ideally with some explicit identification of relative priorities and tolerable compromises or trade-offs. Moreover, not all objectives are necessarily best addressed through agricultural and land management policies but fall more firmly within other (ideally joined-up) policy remits, such as transport, housing and public services.

## **HIASG focus**

4. Whilst recognising the breadth of possible objectives, HIASG remains focused primarily on maintaining active land management for productive agriculture and positive environmental purposes that provide a range of ecosystem services valued by society. Rewards, whether via market or public payments, for land management in providing these services will be critical in supporting rural livelihoods and culture across the region. **HIASG strongly believes that the region is in a position of strength in terms of its ability to deliver sustainable food**

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<sup>1</sup> The Islands Act formally reinforces some of these demands and its key principles should be extended to the wider Highlands and Islands when considering agricultural and rural policy developments.

**production whilst offsetting greenhouse gas emissions from other regions and sectors through its vast peat reserves and through increased afforestation.**

5. Importantly, the loss of ring-fenced funding means that the positive case for land management support will need to be made to politicians and the general public more clearly and persuasively than in the past. Emphasising support to land managers as a means of delivering valued ecosystem service outcomes (rather than simply because they need income support) is consistent with this, and indeed with the rhetoric of “public money for public goods.”
6. However, some nuancing may be required around differentiating between short-term and longer-term support needs. For example, avoiding damaging disruption during the transition from the CAP to its replacement will be important in retaining and preparing natural, human and social capital for deployment towards achieving longer-term outcomes (e.g. in particular, rising to the challenge of the climate emergency). Hence short-term stability must, at some point, transition into longer-term shifts in land use (e.g. afforestation, peatland restoration) and management practices (e.g. livestock breeding and feeding regimes). This suggests that farmers, crofters and other land managers need to be supported through the short-term effects of Brexit in a way that also helps them to more quickly prepare for, and embrace, imminent change away from the entrenched path-dependency of the CAP. **HIASG believe this transition will likely require additional, and early, one-to-one support for business and environmental planning.**

### Policy instruments

7. The heterogeneity both of land and land managers in terms of, for example, their history, characteristics, and capabilities means that seeking to change land management should not be attempted in a simplistic, nor uniform, manner. **HIASG believe a mix of policy instruments is needed and, moreover, some flexibility is required to allow the mix to vary according to local context.** This applies particularly across the H&I region where both the scale of land management units and land capabilities vary considerably.
8. The mix of policy instruments (carrots, sticks and sermons) spans advice, training, capital grants and recurrent payments, but also includes regulation. Each instrument has different strengths and weaknesses, and different variants, but none should be viewed in isolation. For example, capital grants for investment may work best if underpinned by advice, training and business planning. Thus, **HIASG advocate that the choice of instruments should be guided by consideration of desired policy outcomes and local context.**
9. Criteria for choosing particular instruments include their respective track-records, cost-effectiveness and practical implementation by land managers and government. **For HIASG, a primary criterion is the ability of instruments to accommodate variability in local conditions, notably the scale of management (e.g. crofts vs. large farms and estates) and land capabilities (e.g. bogs and mountain tops vs. cultivated land).** This reflects recognition that, in the past, not all support has been readily accessible by all H&I land managers – in particular some regions within H&I have had limited opportunity to benefit from forestry and environmental grants due to biophysical constraints, management scale, or environmental designation. In principle, any instrument can satisfy this criterion, but accommodating heterogeneity increases bureaucratic complexity and cost (both for land managers and

scheme administrators). As such, there are some trade-offs to be made between different preferred attributes of instruments.

10. For example, although the principle of more local planning and responsibility is valid, and there is a need for the Land Use Strategy to become more operationally relevant, the potential for additional (but un-resourced) administrative responsibilities falling on Local Authorities, or indeed other bodies is a concern. Moreover, experiences with LAGS and RPACs suggest that designing and implementing regionalised governance can encounter staffing, accountability and bureaucracy issues. **HIASG believes that Regional Land Use Partnerships, Plans and Frameworks could help form regional and local policy priorities – but that payment mechanisms must remain centralised to avoid bureaucratic inefficiencies.** In addition, it should be noted that different management systems can all make different positive contributions – **an integrated land use strategy does not equate to uniform land management.**
11. Separately, although the presumption is that agriculture will remain a Devolved matter, both the scope for policy design and the magnitude (and duration) of available funding could be constrained by Westminster. Moreover, the Scottish Government's position on remaining within or re-joining the EU means that domestic policy is unlikely to deviate too much from the CAP as it evolves (most notably in terms of climate emergency and biodiversity crisis actions). Nevertheless, **HIASG is keen to engage with piloting new support schemes within the H&I region – either as standalone demonstrations on individual holdings and/or as schemes enrolling multiple holdings – as much as a test of different governance and administrative processes as of actual outcome achievement.**

### Possible pilots

12. In particular, there is interest in exploring the scope for: continued direct payments, either area or headage-based, as a base level of support but accompanied by tighter or enhanced cross-compliance requirements; an evolution of LFASS to reflect positive environmental (High Nature Value) performance rather than agricultural disadvantage (but with some recognition of peripherality); and a shift from "Payment for Actions" to "Payment by Results" for agri-environment schemes. **In all cases, the provision of stronger advice/training is viewed as important by HIASG.** It is also acknowledged that funding for collaboration along supply-chains has a key role to play in the H&I context. For example, collective marketing activities (something likely to need greater investment if access to the EU market becomes harder). Such ideas are not mutually-exclusive and suggest some possible pilots for the H&I region.
13. *Base payment with tighter cross-compliance.* Currently, many farming systems are highly dependent on direct support payments and rapid removal of these would lead to significant disruption of land management. Retaining at least some meaningful level of payment would provide a degree of certainty for land managers, at least through a transitional phase. However, to improve the linkage between such payments and environmental performance it may be necessary to tighten cross-compliance requirements. **HIASG would support implementation of a pilot that could be implemented to design and test more appropriate cross-compliance (XC<sup>+</sup>) linked to enhanced payments (area or coupled), taking account of the need to vary proscriptions/prescriptions according to local context. Payments would be conditional on meeting existing compliance obligations but also additional**



**requirements, similar to those under greening and agri-environment schemes.** Administratively, by building on existing scheme mechanisms, this approach may be simpler than starting new support schemes from scratch. Equally, farmers and crofters may welcome some familiarity, even if the precise details evolve. Payment rates may need to be tiered and/or capped to direct a higher proportion of support to smaller management units and/or respect available funding.

14. *Whole farm plans with co-ordinated advice.* Rising to the challenge of improving agricultural and environmental performance will require widespread changes to current land use activities. Producing whole farm/croft plans to document baseline positions and identify how and where improvements can be made is one way of preparing for this (possibly as an element of XC<sup>+</sup> or as part of more targeted outcome-based support). However, many land managers will lack the information and/or confidence necessary to undertake a whole farm plan and would benefit from access to appropriate advice. Importantly, such advice needs to be comprehensive, covering aspects of business, agronomy/husbandry and environmental management. **Thus, HIASG therefore would endorse a pilot scheme to design and test the co-ordination of advice (e.g. through combined visits by multiple advisors) to support production of whole farm plans (i.e. integrated environmental and business planning).** Although the provision of free/subsidised advice may be viewed by some as diverting funds away from land managers, it should be noted that the transformation of agriculture during the post-war period occurred under just such a system – transformation to meet modern challenges may require a similar approach. However, care will be needed to design meaningful plans, and experience from previous Whole Farm Review exercises should be considered – a different approach may be needed.
15. *Evolution of LFA support I.* LFAs have been a long-term feature of agricultural support, but problems with their implementation have led to their evolution into ANCs, whilst doubts about their rationale (particularly alongside other decoupled area payments) have led to their removal in other parts of the UK. As an alternative to a negative focus on compensation for the low agricultural productivity of LFA land, **HIASG believe a pilot could design and test a positive reward focus on other ecosystem services derived from LFA land by active farmers.** For example, landscapes, biodiversity and carbon sequestration. This would be consistent with the notion of public money for public goods, and could draw upon contemporary research into valuing natural capital and environmental outcomes.
16. *Evolution of LFA support II.* Much of the H&I region is characterised by geographical remoteness, yet compensation for peripherality effects on transport costs have not previously been permitted explicitly in LFA support (although it is recognised in the island uplift provided through the Scottish Suckler Beef Support Scheme). **Hence HIASG encourage any pilot looking at future LFA support to also include the design and testing of such peripherality compensation payments.** For example, using sub-regional zoning or more detailed travel costings.
17. *More flexible agri-environment schemes.* A shift towards public money for public goods implies increasing reliance upon agri-environment schemes. Yet these are often criticised for being too inflexible, of imposing standardised management restrictions that take no account of variations in context over time or different sites. One response to this has been a move towards “Payment by Results” (PbR) as opposed to “Payment for Actions” (PfA). However,

PbR can be harder to monitor and can expose land managers to greater risk. **Hence HIASG believe a pilot could design and test a PbR approach in the H&I region, to explore the relative gains to PfA – including if PfA allowed for more local discretion in management.** As with whole farm/croft plans, the provision of advice could usefully be considered as part of an agri-environment scheme pilot.

18. *Supply-chain integration & marketing.* Recognition of the inter-dependence between domestic agricultural production and domestic food processing has yet to lead to widespread integration, particularly in the beef and lamb supply-chains. **HIASG suggest that a pilot to encourage greater sharing of information about the origins, management and final quality of cattle and sheep could help to improve both financial returns and environmental performance.** For example, using EID to link genetic testing and individual animal carcass feedback to identify faster growing (and hence less carbon intensive) stock. This could be combined with more active marketing promotion (abroad but also to visiting tourists) of the “Highland and Islands” brand, emphasising its local provenance and positive contribution to a range of ecosystem services.

### Conclusions

19. Future policy needs to serve the distinctive and heterogeneous character of the H&I region better than the CAP has. Hence HIASG looks to post-Brexit policy to support both productive agriculture and positive environmental outcomes in delivering a range of valued ecosystem services to Scotland as a whole. This will require appropriate funding and more flexible instruments better tailored to the needs of the region. HIASG would welcome the opportunity to contribute to the design and piloting of possible policies.



68% of Scotland's High Nature Value farming area  
 26% of UK's Ramsar (wetland) site area  
 41% of UK's terrestrial Special Protection Areas (wild birds)  
 13% of UK's terrestrial Special Area of Conservation (species & habitats)  
 32% of the UK's Special Sites of Scientific Interest area



*For an overview of **Post Brexit Implications for Agriculture and Associated Land Use in the Highlands and Islands** see [here](#). In developing this position HIASG have been supported by Andrew Moxey of Pareto Consulting and Steven Thomson of SRUC and received some financial support through the Scottish Government's Strategic Research Programme 2016-2021*



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