**Agricultural policy – evolution or revolution?**

The Scottish Government recently published their Climate Change Plan update (CCPu) which sets out the net zero transition pathways for different sectors of the economy – including Agriculture and the Land Use and Land Use Change and Forestry (LULUCF) sectors. We cannot simply ignore this plan– it highlights the legally binding targets our sector has to achieve by 2032 and then by 2045. These dates seem a long way off, but unless we act pretty quickly then achieving these targets will become increasingly challenging – and the closer we get to the end point without having made enough progress, the higher the risk of a regulatory approach (remember regulation means the internal combustion engine is going the way of the dodo in the next decade).

It is an unhelpful quirk of the international green-house gas emissions accounting framework that agricultural activities and land use are recorded separately. This means that emissions arising from – or being mitigated by farms – do not all reported in the same place. This quirk means that, for example, trees sequestering carbon appear in a different greenhouse gas (GHG) inventory to food production and that it is harder for farmers to be able to transparently offset their own emissions against their own other land uses. As with many audit and accounting procedures they do not fit well with the diversity of business models we know exit – this one is no different - but we just need to accept it and create solutions. That said, developments in the greenhouse gas inventory for agriculture are required to make it better fitted to Scottish conditions and to ensure actions that are known to reduce emissions on the farm are picked up by the audit framework (many currently are not).

It is for this reason that I remain convinced that from an audit perspective we need to consider this challenge through the lens of Scottish farming plc. where emissions in some intensive food producing areas can be offset against lower emissions and sequestration elsewhere. That is not to say individuals can take it easy and make no efforts to change, and evolving policy thinking is looking at ways to stimulate the required changes – by being efficient, with on farm carbon foot printing, nutrient budgeting, animal health plans, etc potentially playing an important role in stimulating change within individual businesses that can also improve profitability.

It is well documented how England are proceeding with future agricultural support – revolution and scrapping of the current payment mechanisms to a brave new world of paying through their Environmental Land Management scheme (ELMs). Defra propose to halve Basic Payments by 2024 and phase them out completely by 2028 in order to pay for piloting and implementing this new approach. Some heavy capping of the largest recipients has already been announced to start this year (starting at 5% reductions on payments under £30, with progressively higher reductions for larger amounts with 25% reduction for amounts over £150k, etc.) and these reductions increase steeply in 2022-24. The main aims of ELMs are to tackle the impact of climate change, and support the environment and animal welfare and is expected to be based on three outcome based payment tiers with smaller more easily delivered actions in Tier 1 to landscape level actions in Tier 3.

I have heard a number of folk being critical of the Scottish Government in not progressing their plans for future agricultural support fast enough – possibly as we are still waiting to see the final report of the Farming and Food Production Future Policy Group. However, from where I am sitting that is not a statement that I fully recognise. The pace of change of policy thinking has been remarkable during the last 8-10 months – driven, in no insignificant part, by climate change targets as witnessed through Jim Walker’s Suckler Beef thinking – but also drawing on Scottish Government’s commitments to continue to support sustainable food production in Scotland.

On the back of the Suckler Beef Climate Change Group the Scottish Government has established further sectoral groups to make practical recommendations how farmers can help achieve climate change targets and also deliver more on the biodiversity front. The new groups include: the Dairy Group - chaired by Jackie McCreery; the Hill, Upland and Crofting Group - co-chaired by Martin Kennedy and Joyce Campbell; the Arable Group – chaired by Andrew Moir;, as well as an industry- led Pig Sector group. These groups are short-life and if you have ideas I’m sure they will appreciate hearing them.

During the last few months there has been a lot of thinking being done in how we can deliver the ambition of both the Scottish Government (strategic outcomes) and farmer led groups (on farm actions) through evolution of our policy mechanisms. Drawing on ideas formulated over a number of years, Davy McCracken, Andrew Moxey and myself outlined our thoughts in a concept paper a few months back. We believe that this paper provides the building blocks for evolving direct payments in Scotland – increasing environmental conditionality (the new word for cross compliance) that is sympathetic to geographies, farm types and business scale. We think that this conditionality approach could provide commonality across all agricultural sectors and be focused on, for example, biodiversity and water quality – delivering more for the public purse. We see this as similar to the ELMs tier 1, but without the need for revolution.

To tackle climate change, however, needs more action on the technical aspects of farming. Inefficiencies in production, or poor management practices lead to unnecessary GHG emissions. The easiest way to reduce agricultural emissions is to arbitrarily reduce activity – but nobody wants that, particularly as it would lead to the unethical practice of exporting our consumption emissions to other food exporting countries (and to no net climate benefit). Therefore, ensuring production is as efficient as possible is likely a direction of travel for Scottish agriculture, with potential for tiered payments based on technical efficiency that reduce emissions (similar to ELMs second tier). The efficiency approach may not be suited to all farms/crofts and geographies (particularly in the hill and uplands) that may also be delivering significant biodiversity benefits as well as wider socio-economic impacts on local communities. Therefore, there could also be higher tiered payments based on biodiversity actions – recognising that a one-shoe-fits-all approach does not work for Scotland.

We believe that there will remain a need to have dedicated capital funding tranches to help farmers and crofters transition to any new payment mechanisms based on climate and biodiversity (e.g. enabling grants such as hedge planting, tag readers and weigh crates, etc. that can allow them to makes business changes and access higher tier support). Further, there will continue to be a need for dedicated monies aimed at woodland creation, peatland restoration and priority habitats and species (similar to ELMs Tier 3) – all priorities in the new Environment Strategy for Scottish.

The way I see it is that there is ‘policy revolution’ in England with more of a ‘policy evolution’ in Scotland – both approaches trying to achieve more for the environment. We believe there are merits in our suggested approach – providing a degree of policy support stability enabling farmers and crofters to make changes to their business in preparation for future payments based on outcomes relating to climate change and biodiversity – whilst largely maintaining production levels. However, whichever route we take, it is vital that that policy trade-offs are fully considered regarding food, climate, biodiversity and people as a delicate balance is likely required. Further, we cannot lose sight of the hard fact that we also have to be able to justify our new support to both the WTO and the administrations in the rest of the UK – particularly in the light of the new Internal Market Act.

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