

# #Route2050

On Track for Rural Scotland



# Notes

# Introduction

In 2019 we published our #Route2050 vision, and whilst much of that thinking remains relevant today, we have refreshed our key asks around land use policy development and subsidy support in preparation for the Agriculture Bill in 2023.

We acknowledge that progress has been made, however a great deal of uncertainty remains. This is making decision-making, investment, and long-term planning incredibly difficult for Scotland's land managers and rural businesses. We must work together to overcome any challenges holding back the development of the policy and support framework in Scotland, ensuring that we use diverse expertise to ensure a coherent and sustainable future policy is developed

In our #Route2050 - On Track for Rural Scotland Report, as a leading voice in rural Scotland we hope to help provide progressive solutions and ideas to move post-CAP policy development forward more quickly. It is critical that we address equally the three key elements of food production, climate change and biodiversity in designing Scotland's future subsidy support regime, whilst ensuring that the rural economy thrives.

We have an opportunity to create a new policy which delivers for Scotland, recognising the significant potential of an integrated approach to land management in producing sustainable food, sequestering carbon, improving biodiversity, securing a sustainable supply of timber and fuel, and delivering wider ecosystem improvements to the benefit of all in Scotland.

We also have an opportunity to improve the research and development, infrastructure, and skills and education which underpin land management. Bold action needs to be taken now in each of these areas.



Firstly, we have identified a set of immediate asks during the current transition period. These are a set of actions linked to the Vision for Agriculture which the Scottish Government can address now, and which we believe will help smooth the transition to the new regime beyond 2025.

Secondly, we outline what rural support could look like beyond 2025. This is a set of creative ideas to challenge current thinking, whilst at the same time putting forward realistic options for Scotland's land managers that allows them to continue to develop resilient, efficient, and thriving rural businesses.

We hope this document is a constructive, positive and pragmatic contribution to the development of land use policy in Scotland, and we look forward to continuing to work closely with the Scottish Government and other key stakeholders to make the fast and steady progress rural Scotland needs.

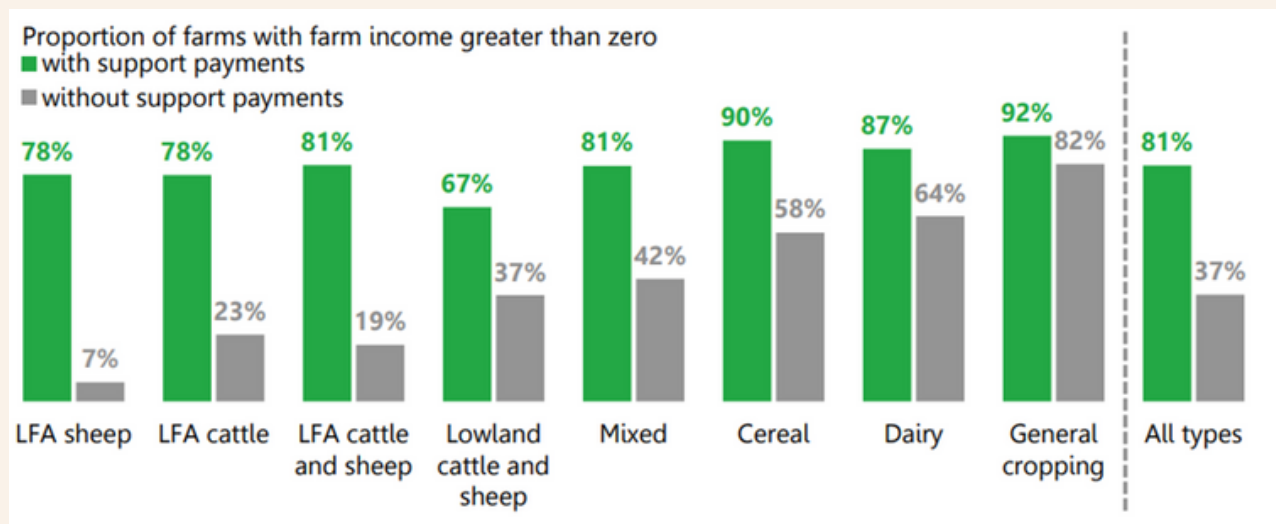
Sarah-Jane Laing  
Chief Executive



# Current Situation

Since the 2019 Agriculture Bill there has been progress in moving to a new system of rural support. However, there has also been a huge shift in market volatility seeing high prices for inputs along with variable incomes across sectors. While in general profitability of farms has improved, risk has increased markedly and it is hard to predict how this will continue, or whether the reward still matches the risk involved. While markets and businesses have evolved since 2019, there is still very little detail on the shape of future support and what long term decisions land-based businesses will be able to take to ensure they are resilient and delivering the multiple benefits of land management in Scotland.

Farm business incomes remain diverse, and vulnerable to changes in input costs, farmgate prices and global markets. In 2020-21 the average farm made a loss of £12,900 from agricultural activities, in 2019 this figure was £14,600. This was generally offset by direct payments, a small amount of diversified income, and off-farm income. There has been a long trend where farming in Scotland has required support to be a sustainable business model and provide the high-quality nutrition and nature-based services it currently does.

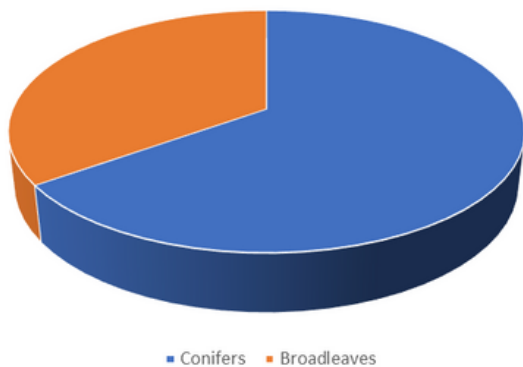




# Forest Planting 2021

(Figures are provisional as at 31 March 2022)

New planting by type (hectares)



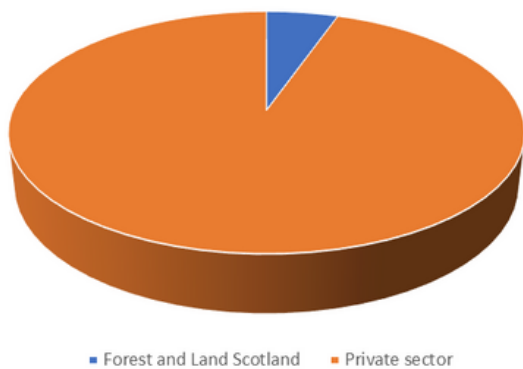
## New planting by type (hectares):

Conifers 6,940

Broadleaves 3,720

Total (rounded) 10,660

New planting by ownership (hectares)



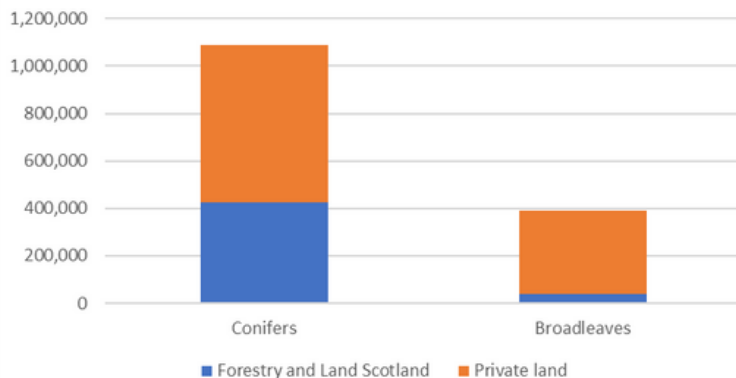
## New planting by ownership (hectares):

Forestry and Land Scotland 570

Private Sector 10,090

Total (rounded) 10,660

Area of Woodland 2021



## Area of Woodland 2021 (hectares):

### Conifers

Forestry and Land Scotland 426,000

Private Sector 662,000

Total (rounded) 1,088,000

### Broadleaves

Forestry and Land Scotland 41,000

Private Sector 350,000

Total (rounded) 392,000

Total (rounded) 1,480,000

# Woodland Carbon Code

projects in Scotland at 31 March 2022

## Number of Projects:

Awaiting Validation	468
Validated Only	158
Verified	68
(Total Validated      226)	
Total (projects)	694

## Area of Woodland (hectares):

Awaiting Validation	33,618
Validated Only	12,275
Verified	3,670
(Total Validated      15,945)	
Total (projects)	49,563

(Source: <https://www.forestresearch.gov.uk/tools-and-resources/statistics/statistics-by-topic/woodland-statistics/>)

The 2020 Updated Climate Change Plan from Scottish Government, raised planting targets from 12,000ha per annum in 2021 to 18,000ha per annum by 2024/25.

The 2018 Climate plan set an annual target of 20,000ha of peatland restoration, in the updated plan published in 2020, a new target of 250,000 by 2032 has been set with funding in place over 10 years to deliver this.

In both 2019 & 2020, 6,000ha of peatland was restored.







# Immediate Asks

Moving Forward – Our asks during the current transition period to 2025

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Much of the focus of policy development thus far has been on tackling the climate crisis through reducing GHG emissions and increasing carbon sequestration. We want to see equal consideration given to food production, biodiversity, and climate change across rural policy development. Scottish Government published their “Vision for Scottish Agriculture” in March 2022, while the themes reconcile with the thinking of SLE in many ways, we feel there are changes which could be made now which will speed up and enhance the process of policy development in the coming months and years.

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## ARIOB Reform

In August 2021 the Agriculture Reform Implementation Oversight Board (ARIOB), with a remit to lay out the implementation of the Farmer Led Groups earlier recommendations and co-chaired by the Cabinet Secretary Mairi Gougeon, was welcomed by SLE as a next step to clarifying the future of agriculture and rural Scotland.

The Terms of Reference (ToR) state the ARIOB “will assist the Scottish Government in its development and implementation of policies to support agriculture in becoming more economically and environmentally sustainable”. The ToR also set out the requirement to review its membership “every 6 months to ensure that it remains fit for purpose”.

We want to see a review of the Board’s membership to make sure there is a broader range of experience of different land use represented, so that future policy does not conflict with the objectives of other land uses. This will put the group in a stronger position ahead of the proposed Agriculture Bill and consultation. Rural support covers more than just agriculture, and needs to be cognisant of all land management and take an integrated approach, where different land uses are seen as part of a bigger picture and not as fragmented, or “siloed” uses.

In addition, the ARIOB must ensure there is proper transparency and stakeholder inclusion around the development of agricultural and land use policy in Scotland. This should include the publication of any reports and recommendations considered by or produced by the ARIOB and its working groups.

## Establishing the Baseline

We have been calling for the establishment of a clear baseline since 2019, and welcome the Spring 2022 National Test Programme announcement to support businesses to carry out carbon audits and soil sampling.

Whilst no methodology is perfect, there are several providers in the market. We would therefore like to see government set out clear and consistent minimum standards that carbon audit tools must adhere to in order to give farmers and land managers confidence in the process. This will enable a range of providers to deliver carbon audits while retaining the confidence of industry and government. There will be a requirement for significant resource to carry out the audits to ensure all businesses take the opportunity to establish their carbon footprint.

Furthermore, it is important that land managers are given the knowledge and tools to carry out their own baselining in time. This will ensure accountability, accuracy, and help to achieve greater understanding of the results.

We would like to see the biodiversity assessment tool brought forward more quickly, and rolled out to all farmers and land managers. There must also be consideration of how we measure our wider natural capital assets which are providing essential ecosystem services.



It is essential that those businesses which are already ahead of the curve are recognised and rewarded. Several farmers and land managers have already taken the initiative in measuring their biodiversity and natural capital, but are reticent about making any improvements until it becomes clear what is required of them. The Scottish Government must address this as a matter of urgency to enable the continuation of this good, proactive work by land managers.





## RPID Reform

We know from speaking to farmers and local RPID officers alike, that there is a genuine willingness to change the way in which they engage. Whilst it is important that the provision of public money is responsibly audited, there is an opportunity for widespread reform to allow a transition away from that of inspector and enforcer, to that of an adviser. We would like to see regional offices given greater flexibility to work in partnership with those in their area to find localised solutions.

We would like to see greater transparency around the application and scoring process for current schemes, which we believe will encourage greater participation from farmers and land managers in preparation for the subsidy support regime beyond 2025. Linked to this, there must be a fairer, more consistent appeals process, particularly when it is often a simple administrative error which has prompted the enforcement in the first place.



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## Support and Advice

The Scottish Government must accelerate the provision of continuous support in the form of accessible advice, knowledge sharing, and skills development so that the industry is best placed to transition to the new subsidy support regime post-2025.

Given the range of performance in the different farming sectors, it should be possible to share knowledge and experience so that examples of best practice can be replicated more widely – ‘see and do’. The Farm Advisory Service (FAS) and Monitor Farm Programme are key in this, and consideration should also be given to developing farmer clusters to broaden delivery at scale.

High quality advice is important in helping farmers improve profitability, whilst addressing the climate and biodiversity crises. This advice must be tailored to individual businesses – much of the current variance in performance is down to people and management rather than inputs. The industry requires a comprehensive programme in place now to ensure there are sufficient numbers of trained, experienced professionals able to provide advice and support.

There is also an opportunity during the transition period to review Scotland’s quality assurance schemes in preparation for beyond 2025. This will ensure that Scotland’s produce continues to be of the highest standards, which adds value to producers. It is also important to streamline these standards to reduce duplication of resource and effort.



# Continuation of the Agri-Environment Climate Scheme (AECS)

We have continuously supported AECS, and welcomed the return of a full funding round for 2022. We would like to see a commitment to continue AECS during the transition period, as well as bringing forward pilots for what future iterations of AECS might look like post-2025. The Scottish Government should ensure AECS remains accessible to all, with greater transparency around the application and scoring process to give confidence to those businesses who wish to apply.

We would like to see AECS transition from a prescriptive scheme to a more outcomes-focused, long-term approach, giving land managers the flexibility to achieve outcomes in ways which are best suited to their management system, land type, and location.

Scotland has a clear target to double the area of land farmed organically during this Parliament. Although there are several factors impacting a business' decision to transition to organic, one incentive to encourage uptake would be to remove the 1,000 hectare cap on applications, and review the 300 hectare cap on arable land, improved land, and vegetable and fruit land. This would enable change in practices at scale and also make use of extensive land which is well suited to a lower input approach.

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## Continuation of Capital Grant Scheme

To enable preparation for post-2025 requirements, it is important to provide support now, during this transition period to improve businesses' productivity and resilience. The Scottish Government should continue to use targeted capital grant schemes, similar to the recent Sustainable Agriculture Capital Grant Scheme, to steer businesses in the direction outlined in Scotland's Vision for Agriculture, enabling businesses to invest in the future which will bring shared business and environmental benefits.







# Beyond 2025

It is essential that future support mechanisms are underpinned by evidence in the form of baselining, and continuous support for farmers and land managers. This, however, takes time to build and therefore work to develop future frameworks must begin immediately. Here we outline our thoughts for the shape of future support.

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## Base Payments

Base payments in the form of a financial stability payment, based on land classification for those actively farming. This will form the bulk of the 50% 'unconditional' support and should be available to all, with the focus remaining on preserving a critical mass in the industry and maintaining food production which will also enable a transition to improved sustainability farming with regenerative principles. In addition, there should be additional flexibility options at the government's disposal to provide no- or- low- interest finance and/or an advance of subsidy payments to help with cashflow in response to unforeseen macro-level events, such as the war in Ukraine.

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## Conditional Payments

The next level of payments should be founded on an outcome-focussed approach, with payments for services such as emissions reductions and resource efficiency. These should be available to all who are able to meet the outcome criteria.

The capital grant scheme funding should build on the work of the farmer-led groups and be used to achieve policy objectives around emissions reduction, animal health, increasing productivity, improving efficiencies, the use of technology, organic conversion, and support for new entrants, including women in agriculture. One of the main barriers to change and improvement for Scotland's land managers is the availability of cashflow, and targeted capital grant schemes, available to all, can be a good way to overcome this.



## Enhanced Conditionality

The enhanced conditionality land management options are an opportunity to measure, encourage, improve, and reward the delivery of ecosystem services. We see this including options under an 'AECS 2.0' type scheme for improving biodiversity, carbon sequestration and wider natural capital provision. Other options would include funding for woodland creation, peatland restoration, WES accreditation and landscape scale projects, in cooperation with the newly established Regional Land Use Partnerships (RLUPs) where funding can be targeted to regional needs. Funding for applicants for options under this enhanced conditionality should not be capped to enable delivery at scale, but it should be competitive to ensure best value for money.



Funding for commercial woodland creation and peatland restoration at scale should be subject to similar additionality tests to those in existence through the woodland carbon and peatland codes. This is to ensure that grant funding is available to those who need it most, where the project would simply not be viable otherwise. This would also free up resources for trees on farms – the right tree in the right place – where there are greater benefits for biodiversity, linking habitats, animal welfare, shelter, managing soil erosion, and water management, but are economically unviable currently, due to the higher cost base of smaller plantations.

Several of Scotland's land managers have been addressing the biodiversity and climate challenges for many years, and will already be operating at a high standard. It is essential that any future support regime recognises this, maintains good practice, and not only rewards those who have the greatest improvement to make.





Food Production		Climate Change		Biodiversity	
<u>Continuous Support</u>					
Accessible Advice	Knowledge Sharing	Skills Development	RPID Reform		
<u>50% Base Payment – Available to All</u>  Financial stability payment for active farming  Based on land classification  Additional options to assist with cashflow during crises  Maintaining food production  Conditional on a carbon audit	<u>Conditional – Available to All</u>  Capital grant schemes  Outcomes based approach. Funding used to achieve policy objectives: <ul style="list-style-type: none"><li>• Emissions reduction</li><li>• Increased productivity</li><li>• Animal health</li><li>• Improving efficiencies</li><li>• Improvements in technology</li></ul> Support for new entrants  Organic conversion	<u>Enhanced Conditionality - Competitive</u> (Land Management Options)  Improving biodiversity  Natural capital provision and ecosystem services  Woodland creation (subject to need)  Peatland restoration (subject to need)  WES  AECS 2.0  Landscape scale (RLUPs)			
<u>Underpinned by Evidence</u>					
Carbon Audits	Soil Sampling	Biodiversity Assessment	Natural Capital Audit		

# Supply Chain Development

Scottish agriculture operates within well developed but often not fully-functioning supply chains, where often there is a power imbalance in those chains.

There are also dangers of critical mass in Scotland being threatened by too few actors in the supply chains leaving primary producers vulnerable, with recent examples of milk and pig meat processing making production in certain areas almost impossible.

While direct support is essential for many rural businesses, support can take many forms to ensure a thriving food, fibre, and drinks sector in Scotland.



Adding value through processing – for too long, primary produce including food, drink and fibre products have had to leave Scotland to be processed. This adds to emissions due to transport and reduces the percentage of retail value which is retained in Scotland. While the Food Processing, Marketing and Co-Operation grant scheme has helped, funding to enable integrated approaches between primary producers and secondary processors would have a significant environmental and economic benefit to Scotland.

Research and innovation – the Scottish Government must continue to support research that underpins innovation in farming and forestry and to promote the uptake of new techniques and systems. Money for capital investment on land holdings that might be required to innovate should be continued, provided it represents value for money. Scotland is home to world class research institutes and it is vital that they work in harmony to deliver the innovation to ensure the global competitiveness of Scottish produce while taking advantage of technology to reduce emissions and sustainably increase output.

Marketing – Scotland has the potential to compete in both commodity and premium markets; our future lies in a focus on quality and provenance for both food and timber. This requires standards to be protected and coordinated marketing to secure market share and trade deals. Support for marketing Scottish produce will help to deliver downstream benefits for all involved.

Co-operation – farmers and land managers frequently operate in isolation and therefore lack power in the marketplace. Farmers could enhance profitability through increased cooperation and the formation of producer organisations to achieve more power in the supply chain. Greater support is required to ensure they are able to take advantage of these benefits of scale and risk mitigation.

People based approach – rural Scotland relies upon a skilled and dedicated workforce. Long term support is required both for new entrants to the industry and to ensure that the existing workforce can benefit from new technology. Similarly, adequate housing is needed, including through a strong private rented sector, to ensure thriving rural communities are an attractive place to live and work. To do this, an enabling approach to rural planning is required.

Role of private finance – often maligned but vital to the delivery of all of the goods which rural Scotland can deliver. An environment where inward investment is encouraged as it is in so many other industries, while ensuring that rural communities feel engaged and that they are benefiting from the investment.



# Delivery Mechanisms

Appropriate levels of funding are essential to encourage uptake of schemes, which in turn will enable rural businesses and land managers to help the Scottish Government achieve their policy objectives.

We should not be constrained by existing structures; collectively we can design a new approach:

- 1** Create policy which encourages and rewards the delivery of the most appropriate activity according to location and land type
- 2** Low level direct funding with regional uplifts, where needed, to prevent loss of activity and encourage “re-peopling”, and reverse population decline
- 3** Reward for additional, voluntary measures which enhance the environment
- 4** Investment to improve resource use efficiency and productivity
- 5** Support for the provision of data to improve Scottish Government decision-making and policy development
- 6** Collaborative links between governments and private finance to support the delivery of ecosystem services, including public goods
- 7** Investment in key services for the industry, including research, skills, and training
- 8** Investment to deliver rural housing and infrastructure
- 9** Investment for the whole supply chain
- 10** Economic incentives to encourage the letting of land, including support for new entrants
- 11** Regulation which is proportional and enabling, while protecting the public interest





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