

Health and Harmony: the future for food, farming and the environment in a Green Brexit

Scottish Land & Estates is a membership organisation that uniquely represents the interests of landowners and land-based businesses in rural Scotland. Our members make a substantial social, economic and environmental contribution to rural Scotland, and landowners and land-based businesses play an instrumental role in the delivery of key national and local government objectives for the benefit of the entire rural economy and the communities of which they are an integral part.

We welcome the opportunity to respond to this consultation.

General remarks

Ever since the Brexit vote and the early recognition that the need to create our own agricultural policy would present real challenges for our governments in the context of devolution, our message to both the UK and Scottish Governments has been that they need to work together. In setting out a detailed direction of travel in relation to a post Brexit support system, the UK government is progressing policy prior to sorting out the overarching issues relating to devolution and common frameworks.

In our view, the logical sequence of events should have involved the UK and devolved administrations jointly agreeing on the common frameworks and the practical issues of how these frameworks will work prior to each administration developing its own policy and support mechanisms.

We understand the time pressures and the desire to move on to develop policy, but clarity on common frameworks seems to us to be fundamental to what follows. The argument that the detailed proposals contained within Health & Harmony, because what is proposed applies to England only does not stand scrutiny because in setting out a way forward DEFRA has already started to frame what might be in a common framework, which will have an effect on Scotland, even if Scotland implements it differently. We have received a clear steer from Mr Eustice that flexibility of approach cannot be to such a degree that it distorts internal markets or impacts on issues related to trade deals such as food labelling & animal health and welfare. Thus it appears that Scotland may well be pushed down a certain route if Defra pursues certain proposals contained within the Health & Harmony document. The current devolution settlement of policy and regulation to the constituent parts of the UK should be respected and maintained, but in developing distinct agricultural policies to replace CAP, Farming Ministers across the UK should ensure that potential differences in application of agricultural policy should not adversely impact on internal trade, threaten to curtail access for other parts of the UK to third country markets or that affects the UKs adherence to its international agreements.

We welcome the UK Government's commitments to provide the same cash total in funds for farm support as is currently paid out under the CAP. In the longer term, with the development of a new domestic policy, at least the same level of public investment in agriculture should be retained.

In our response we have commented on those elements that are framed as applying to England where we felt that there would be a crossover to Scottish policy because the issues are UK wide or because they would appear to be covered by some future common framework which would include Scotland.

2. REFORM WITHIN THE CAP

Given that this section relates entirely to choices about implementation in England, we do not offer any comment.

3. AN 'AGRICULTURAL TRANSITION'

The UK government stating that it 'want[s] to move away from Direct Payments, eventually phasing them out altogether' could have implication for the overall farming support budget and therefore for farm support in Scotland. It could also be deemed to be marketing distorting if direct payments were phased out in England but continued in other areas of the UK – therefore any decision taken by the UK government could have significant implications for Scottish farming.

Scottish Land & Estates is supportive of the general direction of travel of focusing support for farming more clearly on the delivery of public goods, but we have concerns about an approach that seeks to phase direct support out altogether.

We are supportive of an approach that provides a transition to a new regime and given the need to enhance profitability, government support to farming and land management should be focused more on helping the industry change. Funding should be available to support the adoption of innovative approaches, marketing, diversification, advice, knowledge exchange and facilitation and to help facilitate exit from the industry for those that want to leave.

But we suspect that there will be an ongoing need for some form of direct support in some areas. This relates to the nature of farming in some areas of Scotland and its difference to that in England.

As such, we believe that there will be a need to support farming and land management in those areas where there is a risk of land abandonment. There are some areas where farming will always struggle to be profitable, but where that farming activity performs several important functions. In addition to providing a living and producing food it provides habitats for wildlife and water and landscape management. It also has an important social and community impact in terms of keeping people in remote rural areas. If support were removed and land abandoned we would be likely to witness negative social and environmental trends. It will, therefore, be important to consider continuing to support farming and wider land management at higher than safety net levels in order to ensure the continuation of the land management and the associated contribution to the local environment, economy and community.

With regard to reducing payments, we assume that this will be part of any common framework (so as to avoid drastic differences between the parts of the UK) and so also offer comment. Scottish Land & Estates is supportive of the CLA's suggestion that the removal of direct payments should not be a goal in itself; the focus should be on helping the industry adapt to the new trading environment, new labour arrangements and new food, farming and agricultural policy. We believe that any reductions should only be applied once there is clarity on trading and labour arrangements and once there is clarity on how any funds realised from reductions will be used to help the industry

and once public goods schemes are in place. Reducing support arbitrarily in advance of this situation will simply put farm businesses under pressure.

Before any decision on transition is made, we must be clear what the landing point is in terms of trade deals and the regulatory framework under which farming will operate. In addition, we must ensure that no business with the potential to be viable in the long term is compromised due to the transitional arrangements.

SLE believes there should be no arbitrary cap during any transitional phase.

4. A SUCCESSFUL FUTURE FOR FARMING

Farming excellence and profitability

Scottish Land & Estates' offers some comments on these sections because although each country has established its own advisory frameworks there are UK-wide bodies and academic institutions that operate in this arena. There are common issues that apply across borders.

How can we improve the take-up of knowledge and advice by farmers and land managers?

Scottish Land & Estates believes that the likely changes that will be driven by Brexit will foster greater take-up of advice, but that we should be encouraging benchmarking and farmer-to-farmer learning, working with industry to improve standards and coordination, and better access to skills providers and resources.

What are the main barriers to new capital investment that can boost profitability and improve animal and plant health on-farm?

The main barriers to new capital investment are around issues with the planning system, uncertainty surrounding Brexit, taxation and prohibitive upfront capital costs.

What are the most effective ways to support new entrants and encourage more young people into a career in farming and land management?

There have been several initiatives to attempt to create pathways into the industry, for example, through the Forestry Commission starter farms or through the promotion of innovative routes such as share farming or joint ventures, but the best way to attract new talent is not to seek to defend the status quo and then create artificial routes into an industry that does not promise great returns, it is to allow change so that the land-based industries become more profitable and therefore become more attractive. If our land-based industries were more attractive and dynamic, and operated in a way which encouraged business change then we would not have a new entrant problem.

Does existing tenancy law present barriers to new entrants, productivity and investment?

Given the different legislative basis for the tenancy regimes in England/Wales and Scotland, our comment that exiting tenancy laws do not actively encourage new entrants, productivity and investment is limited to Scottish tenancies. It is important to note that all can, and do, happen within existing tenancy law but the focus on protection of existing secure tenants' rights can act as a barrier.

Agricultural technology and research

What are the priority research topics that industry and Government should focus on to drive improvements in productivity and resource efficiency?

The UK has a world leading research sector that should play a pivotal role in ensuring the long-term sustainability of the industry.

Clearly, in the context of leaving the EU and seeking to compete on a world stage, research priorities should be guided by the big challenges of profitable and competitive farming. That means harnessing the power of genetics, using chemicals more sustainably and developing technology and data solutions to drive smart and precision agriculture.

However, it is important to recognise the diversity of UK farming and that not all areas can sustain a high tech, efficient and resilient industry. Some areas have very few options because of the nature of the land with the main opportunities lying in the delivery of public goods. Greater emphasis therefore needs to be put on how to value and pay for public goods. Up to now such payments have been made on the basis of costs incurred and income foregone, which has not in itself always been enough to ensure high levels of uptake. The key will be finding mechanisms that allow land managers to make a return for producing the wider set of outcomes society wants to see.

Another important aspect of ensuring farmers and land managers deliver public benefits is ensuring that they have the training, knowledge and support to carry out the activity that is being asked of them. Land managers do already deliver lots of these things but they are unable to robustly evidence their contribution. Therefore, there is a need for robust metrics that allow land managers to understand and show how their management is delivering in the public interest.

The important role of advisory services and knowledge transfer approaches should not be underestimated, and adequate funding must be provided for this area of R & D.

Research priorities need to be regularly reviewed and be responsive to changing circumstances

Labour: a skilled workforce

The seasonal nature and physical demands of agricultural work has resulted in some sectors of the Scottish industry, such as horticulture and dairy, becoming increasingly reliant on a supply of labour from outside the UK. Retaining access to this seasonal labour is critical to maintaining competitiveness in an increasingly global industry, and many farmers and labour providers have voiced concerns about potential future labour challenges.

Recent research in Scotland (<https://beta.gov.scot/publications/farm-workers-scottish-agriculture-case-studies-international-seasonal-migrant-labour/pages/2/>) highlighted the importance of migrant workers (both seasonal and permanent) to all aspects of the agricultural supply chain, with a key link evident between seasonal workers on farms (providing raw product) and seasonal/permanent migrant workers in packhouses (preparing products for the market).

Reintroducing a Seasonal Agricultural Workers Scheme is vital for continued productivity and needs to be in place before any restrictions apply to the freedom of movement. However, such a scheme will only address part of the issue –non UK nationals are also employed in the agrifood supply chain and other areas of land management such as forestry.

Scottish agriculture and agricultural research needs to continue to attract the best skills, knowledge and experience from across the world – the immigration system which is put in place post Brexit should not detrimentally impact on this.

5. PUBLIC MONEY FOR PUBLIC GOODS

Although this section of the consultation paper refers to England we again offer comment because we assume that English choices about how to support the delivery of public goods have implications for any future common frameworks. We have made a few general comments rather than raking the options.

While Scottish Land & Estates acknowledges that the UK government is seeking to determine its priorities, we believe that the government should support all of the public goods listed. Given the variations of environment, geography, productivity and regional priorities across the UK we do not think that the list should be overly prescriptive. We support the inclusion of social outcomes as well as environmental benefits, and welcome the inclusion of improved productivity and competitiveness.

An additional area to consider might be flooding mitigation as well as improved water quality.

6. ENHANCING THE ENVIRONMENT

All of the environmental outcomes listed could be incentivised through multi-annual payments or capital grants delivering a wide range of public benefits. However, the question is specifically about incentivising action across a number of farms or other land parcels and there may be issues in delivering that aspiration. We are supportive of collaborative approaches and of co-ordinated approaches, which are potentially easier to deliver.

We would also not wish to get to a situation whereby a failure to develop a collaborative approach resulted in individuals failing to access support to deliver the public goods that they could do on their own. For example, while a large-scale catchment scheme may deliver large benefits, the failure to agree a catchment project shouldn't prevent an individual that could undertake flood mitigation measures on their own from doing so. They would still be delivering benefits that we would want to see delivered.

Critically, a scheme based on current design and payment rates of cost incurred and income foregone will not be attractive to many. At present many farm businesses are underpinned by direct support, which is treated as farm income. Agri-environment work, because it is based on cost incurred and income foregone, does not underpin the farm business and just covers costs/losses involved in undertaking that work. If there is a move from direct support to something focused more on the current agri-environment model we could face the situation whereby many farm businesses fold resulting in less agri-environment activity. Therefore a great deal of effort needs to be applied to working out how a move to focusing on public goods will work in the context of a move away from direct support. This is especially important in those remote, agriculturally less productive areas where income foregone will be relatively small.

Any future scheme must be economically attractive and administered competently.

What role should outcome-based payments have in a new environmental land management system?

Scottish Land & Estates is supportive of a move towards outcome-based approaches because the current systems that simply prescribe dates can be inflexible in the context of variable weather in different years. Farmers and landmanagers should be empowered to make decisions to best deliver the outcome expected, with support and advice from relevant experts. We acknowledge, however, that there are challenges in managing public expenditure on the basis of outcomes rather than activity but believe that these challenges should not prevent such an approach being pursued.

How can an approach to a new environmental land management system be developed that balances national and local priorities for environmental outcomes?

In Scotland different regions had the ability to set regional priorities within the SRDP 2007-13. In practice the outcome was that most regions included as many options as possible in order to avoid restricting support options in their area. The result was a lack of prioritisation locally.

An alternative might be to have a wide range of support options available nationally but to have co-ordinators/advisors on the ground that can facilitate deliver certain outcomes that might be particularly desirable in certain regions.

7. RESPONSIBILITY TO ANIMALS

Do you think there is a strong case for Government funding pilots and other schemes which incentivise and deliver improved welfare?

Yes

Should Government set further standards to ensure greater consistency and understanding of welfare information at the point of purchase?

Perhaps in some areas, although this is far from straightforward. At present the only production method defined in law is organic. There are already a number of standards recognised across the supply chain so if the government were to intervene to set more standards it would have to do so very carefully, working with the industry, to avoid consumer confusion.

What type of action do you feel is most likely to have the biggest impact on improving animal health on farms?

- c) Supporting vets to provide targeted animal health advice on farm
- e) An industry body with responsibility for promoting animal health
- b) Use of financial incentives to support action

How can the Government best support industry to develop an ambitious plan to tack endemic diseases and drive up animal health standards?

The government must continue the monitoring and surveillance and current reporting and compensation relating to diseases. Multi-annual payments targeting actions including veterinary advice visits, disease testing, vaccination costs and other measures would improve health standards and offer the long-term incentives to ensure widespread adoption.

8. SUPPORTING RURAL COMMUNITIES AND REMOTE FARMING

This issue is important to Scottish Land & Estates because in Scotland we have 80% of the land designated as LFA and we have distinctive land management systems such as that associated with

crofting. It will be important that Scotland is able to support farming and land management in these areas and so what England does will have some bearing if we are to avoid large policy divergence.

We are slightly disappointed with this section of the consultation which seems to fail to focus on increasing productivity and sustainable economic growth in the uplands and more rural parts of the UK

Farming in remote and upland locations plays a multifunctional role. It contributes to the agricultural output and the integrated system of agriculture, but also it is responsible for environmental public goods and plays a key role in sustaining rural communities. Yet it is also financially marginal and we believe that continuing public support will be required.

If support shifts from direct support to public goods focused on costs incurred and income foregone, we believe that many businesses will fail and we will lose farmers and land managers in remote areas and so lose the people we want to see remain in these places to continue the management that we desire. Ongoing direct support in some form is likely to be required, coupled with additional support for public goods and diversification.

Rural communities have received funding through LEADER and through EU regional funds and separate funding streams for communities will still be needed.

There are a number of challenges facing rural communities and businesses. Please rank your top three options by order of importance:

- a) Broadband coverage + b) Mobile phone coverage
- d) housing
- e) access to jobs

9. CHANGING REGULATORY CULTURE

England and Scotland have their own regulatory regime in many areas and so questions about how to change the regime in England are for English stakeholders, but there are potential issues relating to common frameworks in that the regulatory regime is enforced to maintain standards. If common frameworks are created to ensure common standards across the UK there is a question around the degree to which there should be coherence or at least comparability in regulatory regimes.

As such, we believe that any changes in regulatory frameworks must take place in the context of acknowledging the common frameworks that exist in the UK.

For information, the Scottish Government commissioned a review of regulation in 2015 which can be found here: <http://www.gov.scot/Topics/farmingrural/Agriculture/doingbetter>

10. RISK MANAGEMENT AND RESILIENCE

Encouraging a greater focus on risk management is welcome. To a certain degree the current support regime has protected the industry and if there is a move away from direct support there will need to be a move in this direction. But if this is associated with the proposed move away from direct support we believe that considerations of what policy tools to employ must take place in recognition that there are common frameworks proposed.

Could we get into a situation where the Scottish Government wanted to subsidise risk management insurance but the UK government did not? How would this be dealt with?

11. PROTECTING CROP, TREE, PLANT AND BEE HEALTH

Since pests and diseases operate across ownership and national boundaries it is entirely legitimate that government and its agencies should take a lead in instigating and supporting responses to outbreaks of pests or disease that threaten national food or environmental security and timber supply.

The UK and Scottish Government need to work together to maintain surveillance and response systems and to work with private sector owners supporting them to respond collaboratively to outbreaks of priority pests and diseases and in landscape recovery.

12. ENSURING FAIRNESS IN THE SUPPLY CHAIN

How can we improve transparency and relationships across the food supply chain?

Please rank your top three options by order of importance:

- a) Improving the provision of data on volumes, stocks and prices etc.?
- b) Introducing statutory codes of conduct?
- c) Promoting Producer Organisations and other formal structures?

What are the biggest barriers to collaboration amongst farmers?

DEFRA has commissioned research to explore this topic. Results here: Sustainable Intensification Platform (2) Delivering benefits at the landscape scale - LM0302 - <http://randd.defra.gov.uk/Default.aspx?Menu=Menu&Module=More&Location=None&ProjectID=18803&FromSearch=Y&Publisher=1&SearchText=sustainable%20intensification&SortString=ProjectCode&SortOrder=Asc&Paging=10#Description>

13. DEVOLUTION: MAINTAINING COHESION AND FLEXIBILITY

With reference to the principles set out by JMC(EN) above, what are the agriculture and land management policy areas where a common approach across the UK is necessary?

Scottish Land & Estates welcomes the agreement between the UK government and devolved administrations on the principles that will underpin the creation of common frameworks. As stated earlier in our response, Scottish Land & Estates takes the view that common frameworks are required to prevent internal market distortion in the UK, allow international trades deals and to provide the basis for budget allocation for farming and rural land management. We believe that common frameworks will be needed across a broad range of policy activity including:

- Organic farming
- Animal health – movement of animals and control of disease
- Plant protection products – maximum residues, marketing, use and licensing
- Minimum standards on specific commodities
- Food labelling - consumer food labels
- Import and movement of plants, pest outbreaks, plant variety rights
- Biotechnology deployment
- Air quality emissions

We do, however, need our governments to move quickly to decide on a way forward and urge governments to work collaboratively to develop shared understanding of how policy affecting farming is devised and delivered.

We need to know how these frameworks will work, what will be covered and how budgets will be allocated. We acknowledge that much of this is contingent on the ongoing discussions about the Withdrawal Bill but we remain concerned about the time being lost as our governments argue about powers and the lack of detail that has followed the publication of the principles last year.

14. INTERNATIONAL TRADE

Future trade relationships are pivotal to Scottish farmers and to the nature of the support regime. Leaving a 'customs union' will have a huge impact on trading relations across the UK economy, and our future international trade relationships, both with the European Union (EU) and non-EU countries, will determine Scottish agriculture's ability to access markets, shape those markets in which Scottish farmers and crofters will need to compete, impact upon production costs, and significantly influence regulatory regimes that will have to be adhered to.

We have a concern that the approach to trade is not fully cognisant of farming systems across the UK. In Scotland, for example, we are particularly concerned about the potential for EU tariffs (if we leave the customs union) to have a negative impact on the sheep meat sector.

Recent research by SRUC found that analysed the potential economic impact of three potential post-Brexit trade scenarios on four farm types – beef, sheep, dairy and crops. These include:

- Bespoke free trade deal with the EU similar to the single market
- World Trade Organisation default Most Favoured Nation tariffs
- Unilateral trade liberalisation

The report found that in every scenario Scotland's farmers would be worse off compared to under the current trade arrangement, with some or all producers facing lower returns.

The general tenor of the discussion document focusses on the opportunities without sufficiently acknowledging the challenges.

15. LEGISLATION: THE AGRICULTURE BILL

How far do you agree with the proposed powers of the Agriculture Bill?

The list of powers appears sensible but it will be critical to respect devolution, allowing the devolved administrations to make their own decisions on new schemes etc. The critical issue relates to legislative consent from the Devolved Administrations and the degree to which the Withdrawal Bill and future Agriculture Bill respect devolution. This is a live issue that is yet to be resolved.

The Scottish Government should have the ability to continue the current schemes, powers to trial new approaches, and powers to introduce new schemes in future, all with the requisite powers to pay, regulate and enforce.