

# The Future of Scottish Farming: A Discussion Document

## A response from Scottish Land & Estates

### Summary

- Scottish Land & Estates is supportive of the Scottish Government's intention of developing a vision or strategy for Scottish agriculture.
- Scottish Land & Estates supports the broad vision, but believes that much greater clarity is needed in terms of identifying priorities.
- The government should focus on one or two clear priorities so that all farmers can clearly see what the government hopes to achieve over the coming years.
- Scottish Land & Estates suggests that these priorities should be:
  - Enhancing the profitability of Scottish farms
  - Enhancing the environmental sustainability of Scottish agriculture.
- A clear action plan that sets out the various initiatives that the government is going to undertake to address the priorities is needed.

### Introduction

Scottish Land & Estates represents land owners, managers and rural businesses across Scotland with wide ranging interests including agriculture, forestry, moorland management, sporting interests, tourism, private rented and affordable housing provision, conservation and outdoor recreation. Farming is one of the pillars of our members' activity and so Scottish Land & Estates has a long standing interest in agricultural policy. We welcome the Scottish Government's future of farming discussion and look forward to contributing further as this vision develops.

### Comments on the discussion document

#### **A strategic approach is welcome**

In our view the government, farming stakeholder organisations and farmers themselves have been operating in something of a strategic vacuum in recent years because there has not been any strategic vision from government setting out what it was trying to achieve. From our perspective the CAP decisions that were made prior to the establishment of the new regime seemed to be based on finding ways to minimise the number of 'losers' from the new regime (those that would be financially worse off) and exclude certain groups of people that were judged unworthy of receiving support, rather than on the basis of any long-term plan. The government did secure valuable input from the industry through Brian Pack's Inquiry, but there did not seem to be any coherent direction of travel provided by government.

Scottish Land & Estates takes the view that it is important to have a vision of where we are going in the context of the challenges and opportunities we face and, as such, we very much welcome the production of this discussion document. We would say, however, that how it is developed really

matters. Previous strategic documents, such as the *Forward Strategy* or the *Forward Strategy: Next Steps* were developed in a different way to this current document because they were developed by industry groups involving a wide range of interests. We believe that it is important to work with the industry in taking any future iteration of this document forward. The industry needs to buy in to the direction of travel. It is perfectly appropriate for the government to articulate its own vision, indeed leadership is something we have wanted to see for some time, but the industry needs to be brought along with the government.

### **The vision and outcomes are laudable but what is the priority?**

Scottish Land & Estates is content with the high level vision and is supportive of the outcomes. These are statements and aspirations that we believe most parties with an interest in Scottish farming could sign up to. It is difficult to have any real issue with the broad intent of the discussion document precisely because it is so high level.

This said, Scottish Land & Estates does not believe that this document is sufficient. What is presented is a vision statement and a series of outcomes; what is not conveyed is any real sense of priority. We believe that a strategic vision that tries to push equally in all directions provides no real identifiable direction or focus. There appears to be no signature element, no over-arching narrative or message, no issue that takes precedence and with regard to which the industry can orient itself (similar to previous articulations about the need to move away from following government signals to producing for the market). As such, we believe the usefulness of this sort of document will be short-lived. A clearer direction of travel would be much more useful. The government should identify one or two clear priorities and focus attention on those. Any approach which attempts to do everything is likely to achieve nothing; by focusing on a smaller number of top priorities there is a greater chance of success.

### **The 'Next Steps' lack focus**

Each of the Outcomes includes a series of next steps. The intent is clearly to suggest a way forward. However, many of these Next Steps are aspirations as opposed clear identifiable initiatives that the government is proposing to undertake to move things forward. For example, in Outcome 3 the first Next Step is 'Farmers increase their efficiency and market focus and adopt high standards in biosecurity, traceability, health and welfare'. This is more hope than action. What is needed is a clear action that will help progress be made. As such the government needs to incorporate within any future strategy a much more focused action plan that enables all stakeholders and farmers to understand what the government is going to do to move things forward.

### **Strategic linkages**

In producing this discussion document the Scottish Government has followed a fairly traditional approach that treats farming as a discrete industry and in many respects this is entirely appropriate. Farmers do, on the whole, tend to identify as farmers in distinction to foresters or gamekeepers, for example, and the farming industry has its own supply chains, supporting industries and social networks. If the government wants to push the industry forward in a certain direction, then focusing its attention on the key audience obviously makes sense.

Yet in recent years there have been several developments that raise questions about re-enforcing sectoral silos. For many years farmers have been encouraged to diversify and those that have done so are now more than farmers. Any simple boundary between farming and non-farming begins to break down. Similarly, as our society has changed in recent years with much greater focus on food

and provenance there are much stronger links between the food and farming agendas. Some farmers are also food retailers. There has also been a desire for greater interconnection between farming and forestry with the current clear dividing lines being seen as a problem that could actually mean that land is not used to its optimum. All this points to the need to demonstrate in any future strategic document how the vision for farming interconnects with other agendas.

This is particularly important to our members because they tend to be engaged in more than one land use. They may be farmers, but they are also likely to be involved in other things, like forestry, sporting activity or energy production. Our members are involved in integrated land management where the different aspects of their activity fit together as part of a wider rural business. As such, they will be operating under a strategy for farming, forestry, energy production and so on. With this in mind ensuring that the different strategic approaches join up is quite important.

The Land Use Strategy (LUS) also provides important context. Scottish Land & Estates is supportive of the principle of a Land Use Strategy and has commended the Scottish Government for attempting to produce an overarching strategy for integrated land use in Scotland, although we have also said that much depends on how it is taken forward. The reason that the link with the Land Use Strategy is important is because we may need to have a hard look at our land uses and using the best available data think about where different industries might be going in the context of changing markets, public support and climate change. If we think that certain types of farming are going to struggle in future, we may need to reflect that in any strategic approach. It may be that we can envisage different land uses delivering greater rural community benefit.

Equally, if we have different strategies which all aspire to growth e.g. farming and forestry, we potentially end up with conflict. Consequently it seems sensible that the LUS should sit above any agricultural vision or strategy. This hierarchy is apparent in the recent consultation of the second Land Use Strategy, but it is not clear how the two will be related.

### **The need for thorough critical analysis of challenges and opportunities**

Any strategy that attempts to point the way forward for an industry probably needs to start with a critical analysis of the challenges and opportunities facing that industry. This sort of analysis is missing from this document. It means that the vision, outcomes and next steps lack focus and direction. This analysis has been attempted in various other places and could be easily undertaken again, but it is an important first step in clarifying where priorities should lie and should be included in any future strategy. It allows the reader/audience to understand the logic for focusing on specific priorities.

Any analysis of the challenges and opportunities facing the industry will flag the high profile issues such as climate change and flooding, market volatility, biodiversity decline and diffuse pollution. But there are also other issues—such as the likely decline in public support through direct financial support for farming—that will shape the future direction. One thing that seems clear to us is that land use is central to many of the issues that we face as a society, so food production is going to have to be seen as part of a wider suite of goods and services that society wants land managers to deliver from the land. Farmers have a role to play in helping society address a range of issues, not just food production, and as we continue in a period of relative austerity we suspect that we will be entering a new era where a different “contract” between landowners/managers and society emerges. Society will continue to support farmers and land managers but we suspect that the benefits delivered to society as a whole will need to be much more tangible. This sort of issue has implications for the future of Scottish agriculture and needs to be thought through, even embraced.

## **Agriculture and rural communities**

Scottish Land & Estates has doubts over the emphasis in Outcome 8 where agriculture is valued for its contribution to Scottish society. We do not doubt that agriculture is important economically and socially, especially in remote rural locations (although this can be overplayed and it is very easy to simply reiterate the assumption that it is important). Our concern is that this Outcome translates into a policy of continuing to prop up unviable farming businesses in order to achieve social objectives. What is needed is joined up policymaking where the correct policy levers are used to achieve the desired goal. If there are challenges in remote rural areas relating to jobs and communities then these would be better addressed through targeted rural development interventions rather than continually paying farmers to farm unprofitably in the hope of maintaining communities. If we want to maintain communities we need decent community and rural development.

Supporting farming in the hope of achieving social ends is in all likelihood hugely inefficient. It may be that there are other uses of the land (like forestry) that could equally contribute to social outcomes and at a much lower level of public financial support.

Of course there are places where we may want to keep people farming in remote rural areas, especially in High Nature Value Areas, because they maintain the land in such a way that is beneficial for biodiversity. If farming fails and the land is lost to other uses or abandoned, the biodiversity benefit could be lost. So we need to support farming on the periphery in order to maintain the delivery of public goods. This argument is strong, especially at the moment, when our mechanisms for paying for the delivery of public goods are not very well developed. But what this points to in the longer term is a need to develop much better mechanisms to enable payment for ecosystem services. If we can reward people farming in remote regions for delivering what society wants to see (e.g. biodiversity) it is preferable to compensating them for not being able to produce in the same way as others elsewhere in the country.

### **What role for the tenant farming sector?**

The tenant farming sector is an important element of Scottish agriculture, yet this discussion document is almost silent on the role and importance of tenant farming. Tenant farming provides the industry as a whole with an element of flexibility. The ability to access land without owning it, and therefore having to find the capital to buy it, is a valuable characteristic of Scottish agriculture. Those countries that are even more dominated by owner-occupation than Scotland, such as Ireland, face real difficulties with regard to the structure of their farming industry: small farms often struggle financially because of their scale but are unable to expand because of the lack of available land and the cost of it. Farm tenancies are, then, extremely important. They provide flexibility for existing businesses and opportunities for new entrants to the sector.

Let land will therefore have an important role to play in delivering any future vision for agriculture and we believe that the document's silence on it is a serious omission. Scottish Land & Estates calls on the Scottish Government to build reference to the let sector into any future strategy. The lack of connection between agricultural policy and agricultural holdings legislation seems to have allowed the current change in agricultural holdings law to become hijacked by a land reform agenda, which has resulted in radical proposals that will undermine Scottish agriculture. We would hope that if tenant farming, and the flexibility benefits it provides to Scottish agriculture, were incorporated in an agricultural vision, the Scottish Government would be less inclined to put it all at risk (as it is currently doing) by bringing forward proposals that undermine all confidence in the sector or by fossilising a structure of farms in a way that makes it less flexible and adaptable to change.

## **Suggestions for moving forward**

### **Clarity on priorities and direction of travel**

As we highlighted above, we believe that there is a need for greater clarity in terms of priorities. While we support the general aspirations, we believe that it would be useful for there to be a small number of headline priorities which point the way for the medium term. These would be signature narratives that allow all those with an interest to quickly and unambiguously understand what thinking was guiding government policymaking.

Scottish Land & Estates has a long standing interest in the shape of future policy and prior to the discussions about the current CAP regime we pushed the concept of Food and Environmental Security. More recently, working with the European Landowners Organisation, we have been exploring the utility of the concept of Sustainable Intensification. In essence our concerns have remained the same. Collectively we face very significant challenges of producing food for a growing world population at the same time as the climate is changing and biodiversity is declining. We therefore need our agricultural industry to be efficient and flexible, so that it produces the food we need, but also to be environmentally sustainable. The productivity of agriculture is fundamentally dependent on the health of the natural ecosystem, and the misuse of valuable resources will lead to lower yields and thus create a downward spiral. We need to meet the food and environmental challenges at the same time.

As such, we propose a dual focus, or two signature narratives, that could provide a clear way forward. These are: ‘enhancing the profitability of Scottish farms’ and ‘enhancing the environmental sustainability of Scottish agriculture’.

### **“Enhancing the profitability of Scottish farms”**

The diversity of Scottish agriculture and the difficulties experienced by many as a result of poor land quality, has underpinned the recent emphasis on defending the amount of agricultural support payments. These payments are often critically important for many businesses because without them many farming businesses are uneconomic. The understandable focus on support payments has tended, however, to push harsh economic realities to the background. We believe that the emphasis has to be on getting better returns from the market, not from subsidy. The level of dependency on direct support is too high and in the long-term subsidy support levels are likely to decline and this is something that we have to help the industry prepare for and adapt to. Our agricultural policy must be focused on competitive businesses delivering quality products for the market. As such, the agricultural industry must be:

- *Market-oriented*: farming businesses should be making decisions on the basis of the market and not simply in response to policy signals. The decline in public support will mean that businesses have to be less dependent on public support.
- *Flexible*: in recent times we have begun to experience greater market volatility and variability in the weather and at the same time consumer preferences continue to evolve rapidly. Farming businesses will have to be ready to adapt and change to new circumstances.
- *Innovative*: the agricultural industry must adopt new technologies, processes and relationships if it is to change and adapt. New ideas, fresh thinking: these are the hallmarks of a dynamic and forward-looking industry.
- *Well informed by latest intelligence*: a dynamic, responsive, market-oriented industry needs to have the latest information on demand and consumer choices readily available.

- *Supported by world-class research and knowledge exchange:* the ability of the industry to increase productivity whilst also enhancing the environment will depend on new ideas and technologies being brought to the market place and communicated to farmers.

Scottish farmers must be:

- *Entrepreneurial:* farmers must be focused on running efficient businesses and seeking out new opportunities.
- *Skilled to produce quality produce:* Scottish farmers already produce high quality produce, but we need to make sure that this continues in the future and that the next generation of farmers gets the education and training that will provide them with the skills to succeed in a dynamic and flexible agricultural industry.
- *Skilled to manage and enhance the environment:* many environmental public goods are delivered through current farming practice, but if we want to specifically deliver enhanced levels of public goods in terms of wildlife, water quality, air quality and landscape, specialist knowledge and expertise will be required.
- *Connected to achieve power in the supply chain:* vulnerability to the market power exerted by large businesses can squeeze farmers' own operations and therefore limit their ability to be innovative and take risks. Connectivity needs to be with the wider world (i.e. IT) and with each other (i.e. co-operation and joint working).

If the government were to adopt a narrative that focused on enhancing profitability a platform is provided for focusing on market development, for fostering shorter supply chains, for encouraging and facilitating cooperation and so on. It would also provide a rationale for thinking afresh about what we want the SRDP to deliver, how it should be structured and how much money should be provided through the different pillars. We might, for example, choose to put more into schemes that support farmers as they diversify and change their operations or to focus support in the areas that will struggle most and have fewer options in farming terms.

One thing that we should acknowledge, however, is that as we move forward the industry will change. All too often it seems as if the emphasis is on keeping every farming business in business and that anyone going out of business is evidence of government failure. Yet if we want the industry to achieve a more profitable footing it will inevitably involve change, perhaps in the number of farms. We have to be open to this process instead of fighting it and so one of the things that we may have to consider at the same time as focusing on profitability for the many is providing some sort of soft landing for those that decide to stop farming. One thing we can be sure of is that whatever we do the industry will change, so we should stop trying to preserve the status quo and allow the industry the flexibility to adapt.

### **“Enhancing the environmental sustainability of Scottish agriculture”**

The second narrative that we believe needs to be central to the way forward is one that focuses on improving the environmental sustainability of farming. Environmental issues are too often seen as peripheral to the core business of farming but the productivity of Scottish agriculture depends on having a healthy environment. Environmental stewardship is central to good farming practice and while most would agree with this sentiment advances in agricultural practice in recent decades have led to unintended environmental impacts in terms of resource depletion and pollution. We currently face real challenges in terms of farmland biodiversity and climate change.

Scotland's environment is not generally in a very poor state but we are continuing to see declines in farmland biodiversity and the whole picture is complex because there are diverse issues across

Scotland. In some highly productive areas diffuse pollution and soil health are potentially problems, but in other more remote areas there are concerns about destocking and the consequences for biodiversity and there are concerns about habitat fragmentation. The appropriate response to these changes will vary depending on the issue. In some areas the most important thing will be to ensure a continuation of active farming activity. In others, changes in farming practice will be required to reduce negative impacts from certain activities.

At the same time, climate change is an increasingly obvious issue that needs to be addressed. Climate change will have a direct impact on farming in terms of changing weather patterns, which will in turn have consequences for production. But it is important to acknowledge that agricultural emissions account for a large proportion of our national greenhouse gas emissions and so farmers will have an important role to play in helping tackle climate change as well.

Scottish Land & Estates believes that the Scottish Government could prioritise enhancing the environmental sustainability of Scottish agriculture in a way that then allows it to focus attention on medium term actions. The Scottish Government has appeared interested in pushing forward in this area (for example by bringing forward plans for nutrient management plans for all farms with permanent grass in an effort to focus attention on fertiliser use), but it has not come across as a priority. Government officials have pointed to possible future regulation if farmers don't voluntarily adopt efficiency measures but this has amounted to low key nudging that has been missed by most farmers. What is needed is clear messaging from government about the direction of travel and this needs to be done in a way that brings people along with it. We are not advocating that the government simply regulate farmers to reduce emissions; it would be much better if it worked with farmers to achieve change rather than wield the big stick to force change. But that requires a new approach and much greater resources devoted to this agenda.

If the government were to adopt a narrative that focused on enhancing the environmental sustainability of Scottish agriculture, we believe that it could more strongly focus on providing better advice and fostering greater cooperation. These are part of the current SRDP, but may have been given greater priority if the government's direction of travel had been clearer.

Scottish Land & Estates believes that any focus on enhancing the environmental sustainability of Scottish agriculture needs to go beyond the SRDP. There is a real need for tangible progress to be made in the development of payment for the delivery of ecosystem services. If we can develop mechanisms that translate public goods into financial terms which then present farmers with a wider range of choices we would experience a step change in our environmental performance. It is the case that beneficial environmental management is part of good land stewardship and some may say that farmers should be looking after the environment anyway as part of their operation, but it is difficult to undertake environmental management if your business is struggling—you can't be green if you are in the red—and so mechanisms that translate the delivery of public goods into real cash could have a big impact on farming businesses.

### **Action Plan**

We are aware that Scottish Government staff have been thinking about an action plan and seeking ideas for short, medium and long term actions. This is welcome. An action plan is needed because it would add to the clarity of message for farming audiences. If the government focused its attention on a small number of priorities it could set out the key things it will be doing and devote resources to achieve them. People would know what to expect. What we don't need is an Action Plan that encompasses everything and includes a huge range of actions, many of which would happen

anyway. We don't need another bureaucratic box ticking exercise; we need focus, prioritisation and a drive to deliver tangible results on the key things that matter most.

## **Conclusion**

Scottish Land & Estates is supportive of the Scottish Government's intention of developing a vision or strategy for Scottish agriculture and of the broad vision that has been set out. However we believe that that much greater clarity is needed in terms of identifying priorities and actions. A small number of clear priorities is important because it would allow everyone in the industry to get a clear sense of what the government hopes to achieve over the coming years. Scottish Land & Estates suggests that these priorities should be: 'Enhancing the profitability of Scottish farms' and 'Enhancing the environmental sustainability of Scottish agriculture'.