

LWA Q&A Agricultural Transition Consultation

Why is Scotland consulting on agricultural subsidies?

The SNP Manifesto has committed to close alignment with the EU's Common Agricultural Policy (CAP) but also to shift half of all funding for farming and crofting from unconditional to conditional support by 2025. A new Agricultural Bill should be launched by 2023.

It is our understanding that Scottish Government has been under great pressure to give clarity about the future of rural payments in Scotland. England and Wales have opted to change their funding, moving from area-based payments to 'payments for public goods'.

Without a decision on Scottish independence and our relationship with the EU, it is unlikely that major reforms will be made. The timing of this consultation is, therefore, unclear. Nonetheless, demanding radical reform of area-based payments that have favoured large-scale landowners and are driving consolidation of ownership is necessary.

Which farmers currently get subsidies in Scotland?

The current payments are based on the system that has been in place under the EU CAP.

Basic Payments (previously Single Payments) or area-based subsidies are calculated on the basis of the number of hectares that are farmed. In Scotland, you have to farm a minimum of 3ha to be eligible (in England and Wales it is a minimum of 5ha). Under the EU Common Agricultural Policy (CAP) these were also known as 'Pillar 1' or direct payments.

'Grant' funding can be allocated under nations' rural development programmes (previously 'Pillar 2' under the CAP). These include payments under agri-environment schemes, and different grants such as Small Farms Grants and New Entrants Grants. Different Member States had considerable leeway to shape their own rural development policies. These types of funding/grants are often competitive, whereas area-based payments are not. Scottish Government has recently announced that it will continue its Agri-Environment Climate Scheme, opening application rounds in 2022, 2023 and 2024.

More widely, rural development programmes also include funding options that are available to stakeholders who are not farmers, such as LEADER funding.

More information is available here: <https://www.ruralpayments.org/topics/all-schemes/>

The new EU CAP 2023-2027 is abolishing the Pillars 1 and 2 structure, but area-based payments continue to exist and be a focus of EU agricultural policy.

What about cross compliance and greening?

In order to receive direct, basic (area-based) payments, farmers need to show that they are complying with certain legal requirements (also called Statutory Management Requirements) and adopt good practices (called Good Agricultural and Environmental Conditions). For example, they cover issues related to pesticides, soil and water quality, food safety and

animal welfare. See:

https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/income-support/cross-compliance_en

Under the EU's CAP 2014-2020 30% of direct (area-based) payment were reserved for 'greening' requirements: 1) the maintenance of permanent grasslands, 2) crop diversification and 3) the reservation of at least 5% of arable land for areas of ecological interest such as hedges or pond. Without 'greening' farmers would lose the 30% greening payment.

Organic farmers and those who opted for the small farmers scheme (see below, not applicable in Scotland) were exempt from the greening requirements.

Under the new CAP, cross compliance and greening have merged under the heading of 'environmental conditionality'. The new CAP 2023-2027 also, for the first time, introduces 'social conditionality' which link payments to fundamental conditions like workers' rights. See in this regard the work done by ECVC:

<https://www.eurovia.org/ecvcs-proposals-to-implement-social-conditionality-in-the-cap/>.

What about small-scale farms?

There are different measures that have in the past – under the EU's CAP - specifically targeted small-scale farmers. For example, redistributive payments (mandatory under the new CAP) give higher payments for the first few hectares. The Small Farmers Scheme allow small farmers to claim for a one-off area-based payment, cutting out bureaucracy.

As far as we are aware, neither option was made available to small scale farms in Scotland.

A small farmers' capital grant scheme has been made available to farmers in Scotland. However, some eligibility requirements (e.g. related to income cap) have proven to be particularly onerous for our members and we are lobbying to hopefully address this.

What can we expect for the future?

It is unlikely that area-based payments will be radically reformed in the near future. However, area-based payments are problematic as they create a positive feedback loop, as owning more agricultural land means more public support, means more possibilities to finance and acquire more land. This means that we will keep campaigning for radical overhaul of the subsidy system.

But where area-based payments remain the focus of Scottish agricultural policy, there is potential for:

- Better environmental conditionality (linking area-based payments to good practices) + social conditionality – see [a study by SRUC](#).
- Better agri-environmental and other grant schemes (e.g. reviewing eligibility requirements).
- Highlighting options that already existed under previous EU legislation (some of which are now mandatory) but were underused by Scotland: redistributive payments and small farmers schemes.

- Stronger links between reform of agricultural subsidies and other relevant Scottish policy developments, e.g. Good Food Nation Bill and new [Local Food Strategy](#).

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