CONSULTATION ON THE SCOTLAND RURAL DEVELOPMENT PROGRAMME (SRDP) 2014-2020

STAGE 2 - FINAL PROPOSALS

Summary

• The new SRDP must complement Pillar 1 of the CAP.

• It should be a vehicle to drive the rural economy and also spin-off multiple benefits, including a significant contribution to climate change targets.

• The total financial commitment from the Scottish Government must be at least as great as that of the SRDP 2007-2013, including match funding of the Pillar 1 to Pillar 2 transfer (modulation).

• NFU Scotland's core priorities create a foundation for the development of a smarter and more efficient agricultural industry which can operate in a tougher economic and environmental climate, where quality is a given within the Scottish brand. This must include

  • A three-tier structure, including an easier access level to increase participation and improve delivery

  • Continuation of the Less Favoured Areas Support Scheme (LFASS) in its current form and with its existing budget

  • A package for resilience measures for all sectors and farm types, including small-scale drainage, flood management options, precision technology and recording - to drive business and carbon efficiency across Scottish agriculture

  • Cattle development programmes - to drive efficiency, genetic development and a reduced carbon footprint, and linked to increases in quality and yield

• In order to do this, the SRDP’s budgets need to be re-prioritised.
The current woodland expansion target is arbitrary. Woodland creation targets should be reduced by 50 percent to free up some £16 million per year for farming systems efficiency measures - contributing to climate change goals and improving farm business performance whilst still increasing Scotland’s tree cover.

The National Rural Networks budget could be cut by utilising existing networks on the ground and supporting them through the Advisory Service and the Knowledge Transfer and Innovation Fund.

General Comments

1. NFU Scotland welcomes the opportunity to comment on the Scottish Government’s proposals for the new Scotland Rural Development Programme (SRDP) 2014-2020. It is vital that support for active agricultural management remains at the core of the new SRDP, as it is thriving farms and crofts that are pivotal to the well-being of rural Scotland - economically, socially and environmentally.

2. Given that about £330 million of the £1.326 billion budget will now be made up from funds transferred directly from Pillar 1, the clear message from NFU Scotland is that the Scottish Government has to prioritise farm production and farm business sustainability. And the setting of real priorities targeted at farming systems, through accessible measures for farms and crofts, will make the most of limited resources.

3. NFU Scotland places top priority on vital funding at current levels for the Less Favoured Areas Support Scheme (LFASS) to ensure farming and crofting businesses remain sustainable. This provides essential support for 85% of Scotland’s agricultural land and provides crucial support for more fragile and remote areas, underpinning grazed landscapes, local economies and more vulnerable communities.

4. In addition, as changes to CAP Pillar 1 (direct) support are implemented in Scotland, LFASS in its current form and with current financial commitment, will act as a vital anchor of stability for many farming communities through inevitably turbulent times.

5. NFU Scotland also considers that productive agriculture (across all sectors) should also be supported to ensure Scotland can meet the demand for the high quality produce it is renowned for world-wide. The Scottish Government is on record as wanting to ensure this important sector for the Scottish and farming economies continues to grow and modernise, and so yield even greater benefits by way of jobs, incomes and economic growth.

6. NFU Scotland recognises the intention to continue to protect and improve the natural environment. The Scottish Government has set ambitious targets for adapting to and mitigating the impact of climate change, along with biodiversity targets. Agri-environment measures should be more effectively targeted to try to deliver the right actions, in the right place at the right time, by farmers and crofters that are best placed to deliver.

7. In that context, NFU Scotland supports funding to facilitate co-operative action at a landscape or catchment scale so that collective efforts yield greater returns. Targeted, accessible and simpler measures have to be in everyone’s interest.

8. In particular, the new SRDP must prioritise spending to deliver multiple objectives and benefits through multifunctional agri-environment-climate measures. It is vital
that aspects of the new Pillar 2 package work to towards helping address adverse impacts of blunt area-based payments under the new Pillar 1 regime in Scotland.

9. It is clear that particular sectors and farm sizes and types will be severely challenged by the move to area-based payments. So Pillar 2 has to drive innovation and efficiency, especially in cattle systems, to generate both financial and environmental gains.

10. NFU Scotland considers that priority must also be given to accessible measures that enable a broader swathe of farms and crofts to build financial and physical resilience — and so deliver against newer rural development goals, namely water quality and climate change. Investing in improved efficiency measures and improved productivity would enable a range of farming systems to step up to these new challenges, and also improve business returns so that climatic and market volatility can be better endured.

11. In that regard, NFU Scotland must challenge the emphasis and financial commitment that the Scottish Government places on woodland expansion. The desire to lock up carbon in trees is laudable, but planting targets and their associated funding budgets appear more than excessive when set against either the opportunity cost of losing fertile but scarce agricultural land from food production or the possibility of achieving equivalent climate change goals through on-farm efficiency measures.

12. There must also be a commitment to addressing other areas of vital importance to farmers, crofters and the Scottish economy, including supporting new entrants, crofters and small farms, and the need to modernise and improve working practices so that the full range of agricultural businesses can adapt to new challenges — physical and financial — and deliver even more towards important rural development goals that are in the interests of wider Scottish society and beyond.

13. NFU Scotland, however, is yet to be convinced that an enhanced Advisory Service, a refreshed Scottish Rural Network, and an expanded Knowledge Transfer and Innovation Fund (KTIF), together with what is promised to be improved customer support, can make a realistic and significant difference to farming and crofting in terms of their potential contribution to meeting rural development goals.

14. NFU Scotland also recognises that the new SRDP is just part of the package of funding available through the EU. However, NFU Scotland is cautious about a more integrated approach intended to secure greater value from the investments made using the different European funds for economic growth and fisheries.

15. The key areas the Scottish Government has focussed on (business support, skills, advice and social inclusion/local development, etc.) must ensure the various funds complement each other and do not simply drain scarce funding that should be directly accessed by farmers and crofters to undertake investment and management that drives rural development.

16. The Scottish Government also intends to improve the delivery of the SRDP where it has been overly bureaucratic, and NFU Scotland supports the intention completely and welcomes the removal of the Rural Priorities Scheme.

17. NFU Scotland backs the re-introduction of a targeted range of land based schemes with a common application process. However, NFU Scotland has some doubt as whether the new SRDP will be "clearer, more effective and more customer focused to ensure it will better serve the needs of Scotland".
NFU Scotland shares the Scottish Government's frustrations over Scotland's CAP budget allocations, both Pillar 1 and Pillar 2. In the wake of convergence decisions, NFU Scotland is seeking a more objective and non-discriminatory approach to the allocation of direct support and rural development funding.

However, this is compounded by the Scottish Government's own decisions on Pillar 1 to Pillar 2 transfers and the level of match funding attached.

The budget transfer from Pillar 1 (direct payments) to Pillar 2 (rural development) is known as 'flexibility between pillars', and is permitted under the new CAP regulations. The Scottish Government has confirmed that the transfer of funds from direct farm payments to rural development will be 9.5% in Scotland.

NFU Scotland considers that a 9.5% transfer is excessive, especially as the total voluntary modulation rate under the previous Programme was some 6.75% and that was match-funded by the Scottish Government. Reduced direct support to Scottish agriculture will set its own challenges, so it is vital that funding within the new SRDP is more directly accessible to farmers and crofters.

However, NFU Scotland believes that such a transfer highlights the case for future SRDP spending to be made more directly accessible to a full range of farm businesses and crofts.

And given that about £330 million of the £1.326 billion budget will now be made up from funds transferred directly from Pillar 1 (in addition to EU funds and domestic), in an environment where budgets are falling and real cuts in direct support are inevitable, the clear message from NFU Scotland is that the Scottish Government has to prioritise farm production and farm business sustainability - as they are key to the rural and wider economy, and communities across Scotland.

CAP funding pressures mean that the new SRDP needs to be more focused on the key priorities facing Scotland and that support is targeted to areas where it will have the biggest impact. Furthermore, the EU requirement that 30% of the Pillar 1 budget needs to be targeted on Greening means that a significant investment in Scotland's agri-environment will come through both Pillars of the CAP over the next programme period.

So NFU Scotland believes that the balance of funding across the new SRDP must build on what farming and crofting can deliver. In addition, given that experience from the current SRDP highlights that in some areas substantial improvements and benefits can be made from relatively modest investments, access to this funding must be opened up to farms and crofts across Scotland.

NFU Scotland recognises that a Partnership Agreement is also being developed which outlines how the SRDP will have a joined-up approach with other European funds in Scotland. It is proposed this joint approach will be used for business support, skills training, social inclusion/local development, and advice.

However, explicit steps must be taken to ensure the various funds complement each other and do not simply drain scarce funding that should be directly accessed by farmers and crofters to undertake investment and management that drives rural
Rural Regional Delivery Partnership for Land Based Investments

28. NFU Scotland entirely agrees that the last SRDP was too complicated, particularly the Rural Priorities Scheme, and supports the concept of a simplified list of schemes so that applicants know exactly what they are applying for.

29. The processes for delivering the schemes, building on the mistakes of the last SRDP, must also be improved. Simpler processes have to work to make grants more accessible. And in that context, the enhanced support for knowledge transfer and innovation and the new fund for co-operative action has to enable (rather than hinder or confuse) targeted local solutions to achieve improvements across the agricultural sectors, to then enhance and maintain the environment and respond to the impact of climate change.

30. What is required is a clear list of schemes, with an improved application process and a common application form for all schemes. That will require better customer support and, above all, an improved application/approval process for grants under a given threshold that is appropriate to Scottish farming and crofting.

31. The Scottish Government has proposed that future investments will be delivered by a Rural Regional Delivery Partnership with a simpler application process. This would include a single application form with a suggested limit of one application per scheme, per level each year (but frustratingly with exceptions for forestry and designated sites).

32. NFU Scotland supports assessment by a network of case officers from Scottish Government, Scottish Natural Heritage and Forestry Commission Scotland.

33. NFU Scotland agrees with the development of a common application form for all SRDP land-based investments with generic information required for all schemes, and then scheme specific information. This should allow an applicant to apply for all land-based schemes at the same time. Once approved, claims should be channelled through the current Single Application Form (SAF) which all farmers must complete in order to secure their direct (Pillar 1) support. Specific claim and payment arrangements for capital and other appropriate costs should also be developed.

34. The new SRDP has to be open for applications from 1 January 2015. Given that 2014 is a transition year, any further delay with schemes being effectively ‘closed’ or only open to existing participants, will only limit the benefits that can be delivered and will cause frustration that leads to disinterest.

35. The Scottish Government is proposing that there would be two levels of entry - Level 1 would be for applications for grant up to a threshold value of £75,000 per scheme (excluding LFASS which will all be assessed via level 1 regardless of grant size as it is a direct income support measure) and Level 2 would be for applications for grant above £75,000, or £750,000 in the case of forestry which NFU Scotland is totally opposed to. The financial limits placed on forestry should be no different from those placed on farming.

36. However, NFU Scotland firmly believes that there should be three (rather than the proposed two) levels of entry.
37. Competitive elements of the new SRDP must move towards broader and shallower support to underpin development and management. With a user-friendly application process and with flexibility to offer a spectrum of options that mirror wider priorities, measures could be tailored to particular farming systems (i.e. agri-environment options that are practical for the holding and which deliver for spatially targeted priorities).

38. Spatial targeting should not be confined exclusively to designated sites (SSSIs, etc.), but made up of comparable land types that give rise to characteristic farming systems, landscapes and biodiversity. The previous concept of Environmentally Sensitive Areas (ESAs) offers a starting point and provide a template where a significant number of farmers or crofters could take up measures in collaboration to deliver benefits on a landscape scale.

39. The proposed measures should be modified and extended to include more capital options, to widen reach and be more accessible to small-scale applicants through a fast-track, continuous application process - rather than being limited to the Crofting and Small Farmer Support Scheme or the New Entrants Scheme.

40. It is beyond doubt that relative small investments on many farms and crofts, especially those of new entrants or fledgling businesses, could be highly significant in creating the opportunity for new, efficient practices that improve the viability of those businesses.

41. NFU Scotland considers that more significant investments of public funding to instigate significant transformational change in and restructuring of farm businesses should still be made available. Assessment should be carried out at national level, and the priorities should be aligned to those of national interest, to reflect key national objectives of the Scottish Government in relation to sustainable economic growth, job creation, etc.

42. NFU Scotland firmly believes that a 50% intervention rate should apply to capital projects. Where capital is associated with environmental (e.g. diffuse pollution) management, then the rate should be 100%.

43. The architecture for the new SRDP 2014-2020 preferred by NFU Scotland might be better seen in the following table

<table>
<thead>
<tr>
<th>Level 1</th>
<th>Business Development &amp; New Entrants</th>
<th>Resource (input) Efficiency, Climate Change &amp; Water Quality</th>
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44. To ensure that applications are exposed to appropriate knowledge and expertise, assessment and approval has to be overseen by the responsible SRDP Delivery Partner (FCS for forestry; SNH for designated sites; RPID for all other agri-environment and agricultural investments, but with reference to the other partners where necessary over particular technical issues).

45. The first part of the selection process must be to ensure that the applicant/application meets basic eligibility criteria. NFU Scotland believes this process must include a pre-assessment visit. This site visit must establish the facts of the application on the ground, and ensure the applicant understands what they are signing up to. This site inspection would not be applicable in the case of NFU Scotland’s Level 1 proposals or capital investment projects.

46. NFU Scotland agrees that we need to ensure effective use of funds, and supports the proposal that applicants will be limited to a single application for each scheme per year for each level.

47. NFU Scotland rejects the Scottish Government’s proposed exceptions for applications relating solely to the management of designated sites and the Forestry Grant Scheme. And forestry projects should be subject to some form of cap or ceiling.

48. In addition, the “single application for each scheme per year for each level” limitation should be amended to “single successful application” to allow any failed to be revamped and re-submitted in the same year at the same level.

49. Equally, projects should not be approved simply due to the fact that some businesses can afford the resources to make applications as soon as funding schemes open, whereas others may have to take more time to develop plans and find match funding (where relevant).

50. NFU Scotland agrees with the proposal that intervention rates should be negotiated rather than set at a fixed amount for projects that involve business performance. This should help secure better value for money from the investments made and allow a more efficient distribution of funds. But an assessment of the appropriate intervention rates to offer has to be tied to clear guidance.

51. In addition, NFU Scotland is now more certain that some form of ‘capping’ should be put in place on major investments in order to manage budgets and increase access to a broad swathe of farmers and crofters through lower levels of expenditure, as highlighted in NFU Scotland’s preferred Level 1 above.

52. Capping in the interests of overall budget management may well be vital. That budget control may be delivered in different forms, e.g. variable grant rates for larger investments unless of a collaborative nature. NFU Scotland believes a cap of £100,000 should apply (unless the project involves collaboration). Again, in the case of forestry projects, NFU Scotland believes there should be some form of cap or ceiling.

Future Support for Less Favoured Areas (LFASS)
53. LFA (or Areas of Natural Constraint) support must retain primacy in the new SRDP 2014-2020. LFASS or new ANC Pillar 2 support must retain priority status and the present budget.

54. The current LFASS plays a central role in Scottish agriculture and so underpins rural development, delivering almost £65 million annually. So LFASS must be rolled over in its current form to provide stability for a vast number of livestock-based farm businesses through an inevitable period of upheaval, and for as long as possible. It should also be re-based to sweep up anomaly cases and new entrants currently frozen out of the scheme.

55. Any new ANC support scheme from 2017 must build on the principles of LFASS to allocate appropriate payments to land of varying degrees of disadvantage and farming options, subject to appropriate stocking requirements to ensure continued agricultural activity.

56. A future non-competitive ANC scheme could also be extended to support basic cropping and re-seeding to underpin habitat mosaics and sustainable production, as well as meeting the income foregone or additional costs of active farming in physically constrained areas.

57. That approach could also include specific elements relating to mixed grazing systems involving suckler herds and sheep flocks of appropriate stocking densities and ratios to maintain production, biodiversity and landscapes simultaneously.

New Entrants’ Scheme

58. NFU Scotland entirely backs the principle of providing support for new entrant young farmers through specific (but not limiting) start-up grant. The grants up to €70,000 split into two payments over a maximum of five years for the purchase of equipment and machinery, etc. could be critical in accelerating the establishment of fledgling businesses.

59. It is also essential that the support on offer can also be used for the purchase of livestock. So often in the establishment of a new farming business it is the capital requirement to purchase livestock, rather than machinery, that creates the barrier. In addition, NFU Scotland considers that priority should be given to the purchase of mobile equipment (especially livestock handling facilities) so that those with initially dispersed land parcels can manage their farming interests more effectively.

60. Where funding is provided for the purchase of equipment and machinery, NFU Scotland believes that the rules have to work in the interests of pragmatism. In the past there have been clear cases under rural development regulations that insist outright purchase of equipment and machinery is the only option if assistance is to be secured. However, it might make far more sense if new farm businesses can secure the fixed inputs they require through different options, such as hire purchase, etc.

61. Despite the EU rules, NFU Scotland still maintains that there is a need for greater flexibility the definition of a ‘new entrant’, rather than ‘young farmer’. More importantly still, the ‘setting up for the first time’ rule has to be extended to within 5 years – if only to be consistent with the provisions within the Pillar 1 mandatory Young Farmers’ Scheme.

62. Of particular concern and interest to NFU Scotland, is how best the New Entrants’
Scheme could contribute towards broader restructuring of Scottish agriculture. Given the restructuring challenges thrown up by aspects relating to agricultural holdings legislation, NFU Scotland would like to see this Scheme link to tenancies.

63. There has to be scope to allow assignation of tenancies as a Limited Duration Tenancy (LDT) of say 20 years to a fledgling business. This would benefit the land owning interest as the new entrant would also have capital backing through the scheme. However, there has to be value in this for the out-goer, in addition to waygo, etc., to provide an incentive. NFU Scotland considers that funding should be secured to provide £30,000 retirement packages to enable existing tenants to sign over to a new entrant. This would generate some of the necessary churn within the tenanted sector to stimulate the whole farming industry in Scotland.

64. Such a scheme, if refined further, could help to remove the substantial barriers to entry and incentivise new entrant/young farmers to the industry.

65. NFU Scotland has some concern over intergenerational renewal, in that the first call on funds should not be used to support succession of a farm holding within families. NFU Scotland would prefer to see the scheme should be tailored separately for intergenerational transfers and genuine new entrants.

66. However, NFU Scotland believes that providing assistance to ensure that young farmers can establish a sustainable farm business is vital for the future of Scottish agriculture.

Crofting and Small Farm Support Scheme

67. NFU Scotland agrees that crofting tenure contributes towards the maintenance of sustainable agricultural systems that produce supplies of safe and healthy food, protect natural resources and enhance wildlife, habitats and cultural heritage. This is equally true of small farms of a like economic status.

68. The proposal to extend crafting grants support would help to address the difficulties small farms have faced in accessing support and help them deliver the benefit Scotland derives from such businesses. Small scale low-intensity farms and crofts play an important role in supporting rural employment and maintaining the social fabric of rural areas.

69. Access to Rural Priorities options under the old SRDP for crofts and small farms was challenging and there is a need to make it more specifically more accessible to such agricultural units across Scotland – so long as this does not undermine the funding that has traditionally been drawn down by active crofts under the Crofting Counties Agricultural Grant Scheme (CCAGS).

70. So NFU Scotland supports the proposals for a Crofting and Small Farm Support Scheme and believes that eligible expenditure should focus on capital items such as agricultural buildings, slurry stores and related equipment, investment in land management, investment in ditching and field drainage systems, improvement of equipment for feeding of livestock, cattle crushes and mobile stock handling facilities.

71. In addition, the basis for payments calculations under the Crofting and Small Farm Support Scheme should allow the option of either claiming using an agreed standard costs approach or actual costs incurred. At present, it is all actual costs.
On this point, NFU Scotland also believes there is a case for offering enhanced standard costs in the LFA Very Fragile (islands) region compared with the LFA Fragile (mainland) region.

However, NFU Scotland believes that this Scheme should remain limited to the existing geographic limits of the CCAGS, i.e. the crofting counties, or an overlap with the Highland and Islands Enterprise (HIE) area.

Agri-Environment-Climate Scheme

Echoing the clear intention of the Cabinet Secretary for Environment and Rural Affairs, Richard Lochhead MSP, at the NFU Scotland AGM in February 2013, the new SRDP 2014-2020 provides clear opportunity to build capacity for resilience within farming and crofting, through measures that can re-invest in the sustainability of the land through drainage, liming, etc., support, whilst also enabling farm businesses to be more robust in the face of more demanding climatic and financial challenges.

Indeed, NFU Scotland considers that it is vital that all the measures across the full width of schemes in the new SRDP create a package to deliver physical and financial resilience for Scottish agriculture. Measures and support under the Agri-Environment-Climate Scheme have to be made attractive to farmers and crofters by offering options that can provide a number of benefits in the pursuit of multiple objectives.

NFU Scotland recognises that the Agri-Environment-Climate Scheme is intended to support positive actions which go beyond minimum standards to maintain and enhance Scotland's varied natural environment, and should an important part in helping the Scottish Government's strategies for complying with obligations such as the EU Birds and Habitats Directives, Flood Directive and the Water Framework Directive.

The Agri-Environment-Climate Scheme options made available, however, must be simpler, streamlined, more accessible and flexible. If the key role of farmers and crofters is to be of true value, then annual recurrent (management) and capital projects must also complement farming systems.

For example, NFU Scotland believes the following could be implemented for the beef sector, but measures should also be developed for other key sectors of Scottish agriculture.

Proposed Scottish Beef Improvement Database

The aim is to drive innovation, carbon efficiency and create and industry focused on meat yield and quality. The scheme would inject immediate support to the sector and deliver data capture to guide immediate management decisions in Scottish farms. Established databank information would be available to underpin the design of future production systems, including genetics, and develop high quality production models. The central point for the entire program would be a national cattle database.

Participating farmers would receive a payment of €40 per animal if they were part of the scheme. The goal is to be able to start collecting information on the entire life cycle of animals. Results from information gathered, and the DNA testing, would be analysed with appropriate benchmark groups and published to help farmers select breeding and finishing stock. The corner stone of the programme is the database and its ability to collect information.
Scotland’s livestock sector would become much more efficient - moving calving rates from 86 to 94 would deliver 21% in efficiency. Lifetime performance and yield can add further carbon gains and economic value. This would be using technology to meet carbon targets whilst improving production of the sector. A genetic map of the national herd can identify traits and blood lines which deliver high performance under specific systems and pressures. and feed it back to farmers. As data accumulates, systems and genetic efficiency can be identified to guide the strategic development of the sector.

The claimant would be obligated to fill in survey information for their herd. The core elements recorded would be on farm for calf and dam, and at the abattoir

**Calf**
- *Calving period*
- *Date of birth*
- Calving ease
- Calf vitality
- Calf docility
- Vaccination programs
- Aborted calf post mortems
- Record the sire where possible

**Dam**
- *Calving index*
- *Lifetime production*
- *Genetics of the dam*

**Abattoir**
- *Days to kill*
- *Slaughter weight and confirmation – via and yield*
- *Eating quality*
- *Feet condition*
- *Lung condition – categories as virus, parasitic and biologic abscess*
- *Liver condition – fluke active or inactive*

(* denotes passive information coming from the database)

An additional option could be for the farmer to DNA test a certain percentage of their herd. Which animals to DNA test would be chosen depending on which traits we want to explore from the information in the various surveys, disease priorities and kill statistics. This would incur an increased cost for the animals being DNA tested.

A fundamental element of the scheme would be funding abattoir upgrades through the SRDP’s food processing and marketing components. The programme would require the installation of Visual Imaging Analysis (VIA) and eating quality technology in abattoirs. The system will be able to improve the number of animals achieving higher eating quality. The entire life cycle of the carcass would be analysed and information fed back to the producer. Ultimately this would put Scottish beef on the strongest footing for our premium and reputation.

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Scotland’s Food Standards Agency must also be linked to the database allowing the flow of individual carcass food chain information from processing plants into the databank. Mapping disease profiles increases our ability to tackle diseases, like liver fluke and lung worm, by improving the targeting of therapy and the selection of appropriate drugs. This more strategic approach to parasite control can increase efficacy and performance. Carcasses can lose £50 for a condemned liver. The system would reduce the 46% of livers currently condemned providing more profitability in the industry. The databank is therefore driving biological efficiency at several levels and can have significant benefits for both carbon and economic efficiencies and move us ahead of international competition.

In the near future, the European Commission will define the technology required for an EU-
79. The financial allocation for the Agri-Environment-Climate Scheme is proposed as £355 million, or approximately 27% of the future budget. Nevertheless, the benefits that accrue will be limited unless there is improved targeting and advice/support, and a focus on co-operative action to secure landscape/catchment scale improvements. Farmers and crofters will require an effective Advisory Service to assist in developing proposals that take full account of the range of priorities that could be delivered on their land in order to deliver the best outcomes.

80. NFU Scotland agrees that payment rates for the annual recurrent (management) operations should be based on the cost incurred and the income foregone. Capital payments for items such as fencing should generally be paid for on the basis of standard costs. However, it is difficult if not impossible to assess the potential of different options without sight of what such payment rates might actually be.

81. NFU Scotland agrees that options within the Agri-Environment-Climate Scheme must be targeted where they will deliver intended outcome most effectively.

82. To deliver the greatest benefit to biodiversity, the ranges of selected species and habitats have to be prioritised on the basis of objective criteria – what is it that we really want to support?

83. More importantly, measures that help tackle climate change and water quality must be given the highest priority, and enable farming systems to adapt and deliver benefits through practical measures based on improved efficiencies.

84. Target areas for such options must be based on the continuing roll out of SEPA’s Priority Catchments and where soil carbon management can be practically implemented, i.e. on cropping land and improved grassland where inputs and field operations can be managed with greater precision through appropriate technology and best practice. Specific support should also be available for co-ordinating activity at a landscape or catchment scale.

85. For example, resilience and drainage measures, in targeted locations (Priority Catchments) where investment can be focused, might include the following

**Support for Resilience and Drainage**

Recent extreme weather events, as well as the Summer of 2012 and the Spring of 2013, have opened eyes to the challenges of climate change. Weather patterns threaten agricultural production, farm business viability and environmental objectives. However, there are clearly defined multiple benefits that can be secured from investment in resilience and drainage measures, such as reduced run-off and improved nutrient uptake.

The joint challenges of water quality and carbon (input) efficiency are where major gains can be made through modest investment and management.

With a catchment approach, with NFU Scotland’s Levels 2 and 3 of investment, collaborative schemes can deliver at the right scale and could open the door to complementary use of natural and engineered flood control and smart drainage solutions.
A multi-functional approach that optimises productive capability while delivering water quality and biodiversity benefits.

At an individual farm level, capital support should be made available for new/upgraded slurry stores to improve resilience and counter more extreme climate events, thereby safeguarding water and environmental quality. This would also improve the optimal use of nutrients, and so improve crop quality and productivity.

Using NFU Scotland’s Level 1 approach, there would also be scope for a simple measure to allow for small-scale drain repairs and upgrades. A broad shallow approach which is accessible to productive cropping and grassland in all sectors and regions.

 NFU Scotland has always underlined the importance of Pillar 2 measures in driving the uptake of new technology and precision techniques. For example, NFU Scotland believes the following could be implemented across the arable and intensive grassland sectors.

**Agri-Environment-Climate Measure for Productive Agriculture and the Environment**

NFU Scotland is firmly of the opinion that agri-environment-climate measures that are attractive to farmers and deliver for the environment are more preferable to measures that theoretically deliver for the environment but can be so unappealing to farmers that very few, if any, take them up.

To that end, NFU Scotland proposes a number of measures for physical resilience, climate change/water quality, and financial performance:

- Support for the establishment of fodder crops or grass/clover reseeds. This would help establish habitat mosaics that would: enrich biodiversity; in some cases protect and enhance designated sites; improve soil structure and water quality; and increase carbon sequestration

- Support for establishing a herb and clover rich grass reseed within an arable rotation. This would enrich biodiversity and increase carbon sequestration in lowland agricultural systems

- Support for the cutting of silage and hay in ways that promote biodiversity and protect specific vulnerable habitats

- Support for establishment and/or protection of herb-rich pastures, through grass and moorland grazing/wintering plans, would increase carbon sequestration, protect vulnerable ground-nesting birds and increase biodiversity

With limited funding within the next SRDP, supporting the development of on-farm resilience through Pillar 2 is also a priority. Developing an accessible but limited scheme to allow drain repairs or upgrades is still a priority. Drainage upgrades can deliver both carbon, business and environmental benefits such as water quality through less run-off.

NFU Scotland is also of the view that priority must be given to the continuation of expiring agri-environment scheme agreements, not least to retain the value from previous SRDP investment in the creation and management of environmental gain. In
order to safeguard existing agri-environment spend and outcomes, it important that there is an option for those with expiring agri-environment scheme commitments to roll these over into the new SRDP with minimal bureaucracy.

**Forestry Grant Scheme**

89. Climate change may be a key driver for extending woodland cover. However, NFU Scotland is firmly of the opinion that the Scottish Government’s target of creating 10,000 hectares of new woodlands per year for the period 2012-2022 is a very blunt, arbitrary and expensive approach – and could come at huge opportunity cost through loss of productive farmland.

90. In that regard, NFU Scotland must challenge the emphasis and financial commitment that the Scottish Government places on woodland expansion. The desire to lock up carbon in trees is laudable, but planting targets and their associated funding budgets appear more than excessive when set against either the opportunity cost of losing fertile but scarce agricultural land from food production or the possibility of achieving equivalent climate change goals through on-farm efficiency measures.

91. The ear-marked budget of some £32 million per year for woodland expansion suggests an average cost per hectare to government of £3,200— a grossly excessive figure when set against the public support through Pillar 1 and Pillar 2 to underpin agricultural production on such land.

92. NFU Scotland proposes that the forestry expansion target should be cut to 5,000 hectares per year, and therefore the budget allocation reduced to £16 million per year. That would still see woodland expansion on a scale not seen for a decade or more.

93. In addition to slowing the irreversible land use change of planting trees in the engine house of Scottish food production, the freed up funding in the order of £16 million per year could then be explicitly diverted to technical and input efficiency measures in the beef, dairy and arable sectors – with direct positive impacts in tackling climate change and the financial performance of farming sectors that are crucial the Scottish Government’s own targets for food and drink.

94. At very least, any underspend in the woodland creation budget on an annual basis should be transferred in to Agri-Environment-Climate Scheme measures for improved input efficiencies.

95. NFU Scotland acknowledges and endorses appropriate farm woodland and agroforestry systems support that offers a range of benefits including shelter, landscape, biodiversity, biomass and better integration between woodland creation and farming. Such woodland should also be seen in a positive light in the complexity of Ecological Focus Areas (EFAs) required in Pillar 1.

96. NFU Scotland also supports the creation and management of farm-scale riparian planting to specifically address run-off issues and safeguard water quality, as well as providing biodiversity corridors and fencing livestock out of watercourses.

97. NFU Scotland supports the inclusion of an agroforestry option to support the creation of small scale woodlands (with a maximum of 400 trees per hectare) that will allow for an integrated approach to land management where trees and livestock can co-exist. Grant support should be at standard costs, and the area established should be eligible for direct support payments.
98. Forestry has had capital intervention rates of 70% in lowland areas and 80% in Less Favoured Areas. NFU Scotland can only support such intervention in cases where the plantings are less than 10 hectares. Lower rates should apply to plantings in excess of say 10 hectares. Likewise, establishment costs for forestry should be promoted at higher rates for small, high environmental farm-scale woodland projects, and low intervention rates for large commercial projects.

99. As for income foregone payments for other woodland creation on agricultural land, NFU Scotland is opposed to areas of woodland being eligible to draw down direct support from a very limited Pillar budget if that land did not then enable meaningful agricultural activity. NFU Scotland would prefer the status quo, i.e. a separate income foregone payment (Farmland Premium) to compensate farmers for loss of agricultural income, including future direct payments from Pillar 1.

Support for Co-Operative Action

100. Greater collaboration is needed in order to secure improvements across priorities for agriculture and the environment. The proposal for a separate fund to support co-operative action is supported by NFU Scotland, as it should help to encourage and facilitate projects. Improved customer guidance and more effective targeting should help achieve greater co-operation to some extent. However, facilitation and co-ordination of projects is needed to increase co-operative action.

101. NFU Scotland sees an important role for this element of the new SRDP in enabling individuals or organisations to take forward the development and implementation of co-operative land-based projects that secure improvements for the climate, environment and agriculture - especially through project officers bringing together a group of farmers in a single project.

102. Co-ordinators or facilitators should take a lead role in many projects, not least those that would derive most benefit from multiple participation. It becomes critical that all those potentially involved fully understand what they are signing up to and are properly supported in the application process and in the implementation and on-going management of the project.

103. In addition to facilitating landscape or catchment scale agri-environment-climate projects, NFU Scotland firmly believes that this component of the new SRDP could play a critical and complementary role in the facilitation of capital projects that can secure greater market opportunity for Scottish agriculture.

104. For example, together with funding via the food and drink grants scheme, support for co-operative action could enable the delivery of additional malting capacity in Scotland, especially when there is a clear opportunity to be grasped. The provision of specialist storage facilities, through collaborative actions, could also be of major benefit to Scotland’s potatoes and vegetable sectors.

105. NFU Scotland believes the small budget allocation of £10 million should be increased to £20 million.

Non-Agricultural Business Support: Small Rural Business Support

106. NFU Scotland acknowledges that current and future SRDPs are also intended to support to the non-agricultural sector in rural Scotland, by making available a
dedicated funding stream for small rural businesses to access. So long as this continues to include support for farm diversification projects and the creation of non-farming income streams allied to established and fledgling farm businesses, then NFU Scotland lends its support.

107. The diversification of the wider rural economy (as per the old Axis 3 measures) is an important element of rural development. However, any step that excluded or eroded the potential for a diverse rural economy to grow on the back of Scottish agriculture’s assets and business acumen would be myopic at least, and could be detrimental to the restructuring of Scottish agriculture within a vibrant Scottish rural economy.

108. NFU Scotland agrees that the funding available should be in the form of start-up grants for new enterprises, and business development grants for tangible and non-tangible investments, on the basis of a business plan. Start-up grants for new enterprises should be up to a maximum of €70,000 (as required by EU regulations).

Non-Agricultural Business Support: Food and Drink

109. NFU Scotland welcomes the effective continuation of the Food Processing, Marketing and Co-operation (FPMC) grants scheme that ran through the old SRDP, and with effectively the same budget of £70 million. The food and drink sectors have delivered strong growth over the past decade, exceeding their own targets for turnover and exports. But there are many new opportunities to grasp in every sector of Scottish agriculture across Scotland’s full range of arable, livestock and horticultural sectors.

110. NFU Scotland believes that support should be targeted at and available to businesses in Scotland that are engaged in an economic activity irrespective of its legal form, and should include the self-employed and family businesses. Funding should be in the form of start-up grants for new enterprises, and business development grants for tangible and non-tangible investments (capital and non-capital).

111. Together with support for co-operative action, NFU Scotland firmly believes that this component of the new SRDP could play a vital role in the facilitation of capital projects that can secure greater market opportunity for Scottish agriculture.

112. Funding via the food and drink grants scheme, together with support for co-operative action, could for example enable the delivery of additional malting capacity in Scotland, especially when there is a clear opportunity to be grasped. The provision of specialist storage facilities, and again through collaborative actions, could also be of major benefit to Scotland’s potatoes and vegetable sectors.

LEADER

113. NFU Scotland accepts that LEADER has a ring-fenced minimum spending requirement of 5% of the new SRDP’s budget, and that will entail expenditure of about £66 million being invested in community driven initiatives across rural Scotland over the next programme period.

114. NFU Scotland is also content that the LEADER programme within the new SRDP includes many of the features of the previous programmes, including its distinctive locally-led approach. However, it will be important to build on past experience. In that context, NFU Scotland would like to work closer with Scottish Government, local authorities and Local Action Groups (LAGs) to put actions in place that allow greater
involvement of agricultural interests to yield greater benefits from the LEADER approach for a wider community interest.

Knowledge Transfer and Innovation Fund (KTIF)

115. NFU Scotland fully supports the inclusion of the Knowledge Transfer and Innovation Fund (KTIF) in the new SRDP. It is essential that Scotland builds on the monitor farm approach and to ensure that it is adopted more widely, and that the KTIF will continue to provide funding for vocational training and skills development in the form of practical training and development, and farm visits.

116. It is clear that the funding of monitor farms and similar types of projects can influence agricultural and land management practice in order to promote innovation, competitiveness and resource efficiency. So the funding under KTIF can underpin and stimulate the investment and actions under taken under other elements of the new SRDP, such as the Agri-Environment-Climate Scheme, and so maximise the benefits.

117. The benefits from the innovative projects developed through this funding should also ensure that improved practices to benefit the environment, climate and agricultural sustainability are rolled out further through the variety of schemes delivered through the SRDP.

118. NFU Scotland supports the alignment of the KTIF with the European Innovation Partnership (EIP) for agricultural productivity and sustainability as a way to promote greater involvement of farmers and crofters in setting research priorities and ensuring Scottish agriculture learns from best practice across Europe.

119. Given that the proposals for the new KTIF are more expansive and will focus on a wider range of issues and delivery means, NFU Scotland agrees with the increased budget allocation over the new programme period of £10 million and believes it should increase further to ensure this vital function adequately delivers.

Advisory Service

120. NFU Scotland has always maintained that an effective advisory capacity is critical to the successful delivery of outcomes and added value of the SRDP, especially in order to achieve improvements in the agricultural sector and respond to the newer challenges of climate change through resource efficiency advice for all farm businesses in Scotland.

121. The Scottish Government proposal to establish an Advisory Service delivered through a “hub with a singular brand identity” to help farmers and other land managers improve their economic and environmental performance is laudable. However, NFU Scotland has significant reservations at this point as to how that Advisory Service functions to the direct benefit of farmers through effective engagement that actually changes practice.

122. NFU Scotland welcomes the commitment to a strong interface with RPID area offices and key agencies, and also to work closely with the key stakeholder organisations such as NFU Scotland. The responsibility of the hub has to be to provide advice and assistance to farmers and crofters via a dedicated advice helpline, web guidance, publications and links to case officers and operational customer service.

123. NFU Scotland backs the proposal that the hub will be responsible for delivering the
Knowledge Transfer and Innovation Fund (KTIF), including the Monitor Farm Programme and other benchmarking and demonstration projects.

124. NFU Scotland also backs the concept that the hub will oversee the necessary accreditation infrastructure for the Advisory Service, and to ensure that advice provided by consultants is fit for purpose and consistent with a greater emphasis on training and continued professional development to ensure that the requirements of the new advisory system are met.

125. However, NFU Scotland does not see any value in the hub administrating and funding the production of Integrated Land Management Plans - a health check/audit of environmental considerations, climate change mitigation and impacts, water pollution, habitats, etc. undertaken by the generalist advisors. This would be a damaging drain on scarce resources and add little or nothing to delivery of actions on the ground.

126. The indicative budget suggests that a funding allocation for the Advisory Service over the programme period should be in the order of £20 million. If this is the case, NFU Scotland would like to see that funding (and more from the Scottish Rural Network - see below) spent on an application process and advisory service that integrated on the following (simpler) lines:

- **Farmer goes onto website and enters broad project type**
  - (business development and new entrants; resource efficiency, Climate Change and water quality; biodiversity and landscapes) and location identifier (e.g. grid reference).

- **Website identifies any broader local priorities**
  - (e.g. priority catchment, SSSI) and appropriate options. Farmer informed that project must contribute towards broader local priorities as well as business development and new entrants.

- **Pre-application discussion with local RPID office**

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<tr>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
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<td>£1,000-£10,000</td>
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<td>£50,000+</td>
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<td>Advice and pre-application inspection recommended</td>
<td>Advice and pre-application inspection required</td>
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<td>Simple map based application</td>
<td>Whole farm review light (review of business and risks) required and 100%</td>
<td>Whole farm review required and degressively grant funded</td>
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*Diagram showing the flow from farmer formulating project idea to pre-application discussion with local RPID office.*
Scottish Rural Network

127. NFU Scotland appreciates that, under the Regulations, each Member State is required to establish a National Rural Network (NRN). And that Member States have the flexibility to establish national and/or regional Rural Networks in a way that is most effective.

128. However, NFU Scotland considers that much of the function of an NRN could be delivered more effectively as a bolt-on to the Advisory Service, and using a significant amount of the £15 million ear-marked.

129. If £15 million is to be diverted in such a way, then the Network has to have direct relevance and engagement with farmers and crofters as they seek to deliver the objectives of the SRDP through practical measures. NFU Scotland does not consider that the existing NRN provides anything that is either effective or of value, so resources and the function of a rural network should be diverted.