European and External Relations Committee

The EU referendum and its implications for Scotland

Written submission from the Scottish Tenant Farmers Association

Background

The Scottish Tenant Farmers Association represents tenant farmers, large and small, throughout the length and breadth of Scotland who are engaged in a range of business enterprises under differing conditions. In common with agriculture in general, the vast majority of STFA tenant farming members live and work in the less-favoured areas and are dependent on direct support from Pillar 1 payments and, crucially, on LFASS payments.

Most agricultural production in the less favoured areas is livestock based and heavily dependent on a vibrant export market, consequently access to the single European market is fundamental to the continuing viability of many of these units.

STFA is disappointed that the UK government has been so ill-prepared for a vote to leave the EU. As a consequence there are a range of unanswered questions and little information available on the consequences of withdrawal from the EU, how long it will take and what deals will be possible with the EU and third party countries. Although livestock markets are enjoying a boost due to the weakness of the pound sterling, this may be a short term gain and uncertainties about the future may well have a negative impact on the markets and producer confidence.

This paper will concentrate on STFA’s views on the priorities for Scottish agriculture.

Immediate concerns

Commitment from Government to deliver the next 4 rounds of support payments up to the end of 2020, as planned and budgeted for by farmers. Although the Chancellor of the Exchequer has stated that payments will continue until 2020, there is some doubt as to the level of funding available and no guarantee that Pillar 2, which is vital for less favoured areas, will continue. This will provide stability and reduce uncertainty in the short term.

Existing agri-environment contracts must be honoured and the process for those that are open to applications or being processed must continue.

A new agricultural and environmental policy must be in place before existing support schemes are removed. The new replacement policy must provide for UK farmers a level playing field with the rest of Europe and continued barrier free access to European markets for British farm produce.

Priorities for a new agricultural and environmental policy

A dedicated budget for Scotland from the UK Government

At present the devolved Scottish Government administers the EU CAP budget which is granted by the UK Government. When the UK withdraws from the CAP the UK
Government must provide sufficient replacement funding for the devolved Scottish Government to administer according to the needs of Scottish Agriculture which has very priorities and requirements from the rest of the UK.

A consequence of the budget coming from the UK instead of the EU will be greater public scrutiny of how the funds are used, and the need for all aspects of the future policy to meet the public interest.

**Targeting of support payments to avoid the unintended distorting effects of current and past support payments**

Areas based support payments both current and past have created a pattern of ever increasing land prices and land rental values which is unhealthy for agriculture, acts as a barrier to new entrants, and is often seen by the public as taxpayers supporting solely landowners rather than food production and management of the environment. Unlimited area based payments have also encouraged a pattern of land tenure driven by short term objectives to maximise payments rather than the objective of maintaining long term sustainable farming practices. Some modern letting agreements now require the tenant to pass all the area based support payments to the landlord, with the tenant having to meet all the obligations and conditions regarding the support system. Such a system of support payments clearly has elements which are not in the public interest and cannot be justified.

Withdrawal from the CAP should allow greater flexibility for Scottish Government to target payments in a manner which avoids the excesses of the past. In particular, support should only go to genuine active farmers, putting an end to ‘slipper farming’. Meeting the public interest may require the capping of payments to individual businesses, and targeted support payments could be used to encourage long term sustainable land tenure arrangements.

**Importance of family farms**

Family farms have been the resilient backbone of Scottish agriculture for centuries, and have provided not only first class farm produce but also key social and environmental benefits to Scotland’s rural areas. If profit margins are squeezed and farming businesses become unprofitable there will be restructuring of businesses and farm amalgamations to the detriment of small to medium sized family farms. STFA believe that future farming policy should continue to support our current structure of family farms, and that the future policy must be well thought out to avoid the risk of family farms being replaced by extensive systems of agriculture and forestry which would be devastating for rural communities in the more marginal areas.

**Access to markets**

Scotland has developed a highly successful food and drink sector exporting all over the world. Most agricultural exporting takes place through the European single market and continuing access to this market will be essential in preserving and expanding sales of food and drink. STFA believes that every effort should be made to ensure that access to the EU single market will be available post Brexit.
Future international negotiations on tariffs and market access for the UK’s agricultural produce must provide barrier free markets which will support a strong and competitive farming industry in the UK. Markets for UK farm produce must not be viewed as an expendable negotiating tool in future trade deals.

**Delivering environmental outcomes**

It should be recognised that, although the Westminster government has indicated that it wishes to move away from direct support for farmers towards environmentally based support systems, this will not be an appropriate policy for Scotland who must have sufficient flexibility to design a support framework with will deliver direct support payments alongside environmental schemes.

STFA further believes that agri-environment schemes should be outcome based, with farmers paid for the environmental benefits they provide. In contrast, payments under the current schemes are based on income forgone by the farmer. There are significant environmental benefits farmers can provide, especially with regard to soil management and carbon sequestration.

**Capping of SRDP grants**

STFA believes that future Pillar 2 grants should be subject to a maximum funding cap. Traditionally SRDP funding has been front loaded with grants allocated on a first come, first served basis. This has resulted with some large farming businesses applying for and receiving huge grants for big projects, as a consequence funding has not been available for smaller businesses which would have received a proportionately larger boost for a much smaller injection of grant aid. In other words the jam could have been spread more thinly at the start of the scheme with the maximum funding cap raised towards the end should there be signs of an under spend. Capped farm infrastructure grants would benefit and maintain investment and competitiveness on family farms.

**Importance of support for marginal areas**

A new uplands / Less Favoured Area scheme suited to Scotland. 85% of Scotland is LFA, in sharp contrast to England which is 85% non-LFA. An appropriate support scheme for marginal areas is vital for Scottish agriculture.

**Transparency of supply chain and fair returns**

 Farmers are typically in weak market position, sandwiched between suppliers and customers who both have monopoly powers in the marketplace. STFA see a clear role for industry ombudsmen to give annual reports on the profitability of the different stages in the food supply chain, ensuring transparency of profits at each stage, with the aim of encouraging a fair division of profits for each stage including the farmer.

**Marketing**

Continued marketing, promotion, recognition and branding of Scottish food and drink.
Simple and fair regulations

Rules and regulations for access to support schemes should be simple and straightforward, and penalties for breaches should be fair and proportionate.

Research and development

Continuing advisory, research, training and educational functions tailored to Scottish agriculture are vital to ensure the future viability of the sector.