

THE FUTURE OF EU RURAL DEVELOPMENT AND AGRICULTURAL POLICY: SCOTTISH STAKEHOLDER DISCUSSION

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MACDONALD HIGHLAND RESORT AVIEMORE**

Introduction

Richard Lochhead, Cabinet Secretary for Rural Affairs and the Environment opened the discussion on the future of EU rural development and agriculture policy. Scottish rural interests were represented by around 60 attendees.

The aims of the event were:

- 1) To provide stakeholders with an overview of a Sub Rosa¹ discussion² organised by the Scottish Government, Scottish Enterprise and Highlands and Islands Enterprise, (Brussels March 2007) which considered scenarios for the future of rural Europe and the CAP;
- 2) To seek the views of stakeholders on these issues in the context of the forthcoming health check of the CAP and the review of the EU budget. (Early identification of the key issues for Scotland will help to inform the Scottish Government's thinking as the debate gathers pace at the national and EU level).

Discussion

The following questions were addressed:

- Are words like “agriculture” and “rural” synonymous with each other in Scotland?
- Are rural development and regional development synonymous in Scotland?
- How much subsidiarity is needed in Scotland?
- What should the 2008 Health Check focus on?

¹ 'Sub Rosa' is a high level, European policy discussion forum sponsored by an informal partnership between the Scottish Government and the two government Development Agencies for Scotland - Scottish Enterprise and Highlands and Islands Enterprise. It is had similarities with a Chatham style discussion.

² {<http://www.scottishexecutive.gov.uk/Resource/Doc/970/0047965.pdf>}

- Do we need more coherence in rural policy?
- Should we continue to have a discrete agriculture policy in the context of rural development or do we need to integrate agriculture policy into food policy, environmental policy, energy policy etc.?
- Do we need a new system of governance?

These questions were considered under three broad headings: 1) Rural Cohesion 2) Rural Competitiveness and 3) Rural Environment. The key issues that emerged from each of these are set out in turn below:

1) Rural Cohesion

Firstly, the discussion addressed what constitutes rural cohesion. There was agreement that it is a difficult/slippery concept to define though rural employment, population retention and income were suggested as possible indicators. There is a need to map where the biggest rural cohesion problems in Scotland are;

There is a general acceptance that in the agriculture sector at least, innovations on the ground are moving faster than policy (e.g. business ring networks have evolved from machinery rings);

On rural development, the LEADER programme singled out for praise - bottom up and flexible model is an excellent modus operandi;

There doesn't appear to be a consensus between Industry and others on whether agriculture should be treated as a special case or integrated into other policy areas to promote rural cohesion. No consensus on whether the First Pillar needs to exist in perpetuity to keep farmers on the land and promote environmental protection and tourism etc. or be phased out, with funding being directed instead at development of public goods through the second pillar;

Communicating the role of agriculture to a wider society is viewed as essential in considering how agriculture should adjust and how to facilitate that adjustment. Major adjustments are unlikely before 2013, but there may be steps that we can take now ahead of the budget review, for example on Less Favoured Areas policy.

2) Rural Environment

More attention is needed on identifying public goods and evaluation of impacts (including impacts of current and past policies). Further clarity needed on what we are trying to achieve;

There needs to be a greater emphasis on identifying the aims of agri-environmental policy and identifying and valuing the environmental goods that agriculture delivers - where is the undersupply of environmental goods?

Land abandonment that may have followed the introduction of the decoupled payment is not necessarily a bad thing – may be positive environmental spin offs;

There are clearly decentralisation issues. Targets are very often set at EU or national level. Can values be negotiated more locally?

Some environmental benefits need collective schemes and collaboration to deliver. Maybe some desirable outcomes can only be delivered at a community rather than individual level;

A properly cohesive approach to the rural environment means joining up policy goals to produce defined environmental and social benefits. Are economic and social gains additional to environmental ones and should they (or how could they) be better integrated?

Lots of governance issues are apparent. Delivery mechanisms on both policy and payments need looking at to see who delivers what and how outputs should be managed and monitored;

There is a real sense of urgency in dealing with the issues. Change is already happening (e.g. falling livestock numbers) and 2013 is still 6 years away.

3) Rural Competitiveness

This is defined as development and retention of sustainable rural businesses, be they agri or otherwise. Advantages of pursuing this indicator include contributing to improved quality of life in rural areas, population retention, employment and better education provision;

The key to rural competitiveness is the availability of the necessary skills base. Education and training is key, as is retaining young people. Loss of the young is not necessarily a bad thing if temporary, but the key challenge is attracting them back;

Making agri-business competitive means getting consumers to cover the true costs of production;

Fostering entrepreneurship is a key challenge. Policy needs to be targeted at attracting micro businesses and understanding where markets and opportunities exist for them. Considerable infrastructure issues surround this in order to get products to market – availability of broadband being a key issue and the undersupply of affordable property (commercial and domestic) being another fundamental problem to be addressed.

Emerging issues and conclusions in the Plenary Discussions

There is a need to reappraise the CAP; what is it for in the 21st century? Do its objectives need to be redefined?

It was clear that there was an acceptance of the need for debate surrounding the future of agriculture and how it is evolving. There is a greater need than ever to be monitoring changes in the agriculture sector specifically and trends in rural communities more generally e.g. to map where rural cohesion, competitiveness or indeed environmental protection is weakest in rural Scotland;

Perhaps an over emphasis exists on the concept of Pillars in the CAP. Should we instead be looking for a single budget and defining exactly what type of activities that budget should support?

Other issues are the impacts of recent CAP reforms on Scottish agriculture - evidence of land abandonment in some areas as the single farm payment has bedded in, with rapidly falling sheep numbers. Price volatility in agriculture – how should we deal with it? Should it be through Second Pillar or other measures?

Should we replace the CAP with a European Landscape Policy? – deploying EU funds where farmers and land managers deliver external environmental benefits?

There is no consensus on the role of the First Pillar of the CAP, its purpose or whether it should be a transitional measure or a permanent one. One view is that we will continue to need the first pillar to retain national production, to support small rural food businesses and to deal with food security issues and prevent desertification;

The word “subsidy” is a misnomer. Some see Pillar One as an investment - though some farmers may not have taken as much interest in the past in their role as environmental stewards as they could do in the future. There needs to be investment in awareness and education initiatives to explain (particularly to the young) what farming is and what tax payers get for their money. Labour and skills shortages are major headaches for farmers and also a feeling that there is too much concentration in land ownership;

There may be a need to make rural development and the Scottish Land Management Contracts more flexible. There is also evidence of growing a successful rural development policy that is not based exclusively on agriculture. Need to model what the impacts of various reforms of the CAP might be, both on the agriculture sector and rural Scotland more generally;

Has decoupling achieved its objective of more market orientation and what are its impacts on the farm business at the micro level? Do we need more in-depth modelling of the environmental impacts of decoupling?

There is a need to have a better handle on the value attached to public benefits of agriculture (willingness to pay models have for example been used in the estimation of forestry benefits). Considering the CAP and rural development (RD) together brings in two vital resources: land and people. Perhaps a need to split the issue up into its two logical components - a land/environmental policy and a rural development/people policy i.e. a narrower policy role for agriculture and a wider role for RD to ensure that we can deliver on rural cohesion/competitiveness;

Some continue to see the need for a sector specific approach to agriculture - others see scope for more integration of agriculture into rural development policy;

Pillar One of the CAP is seen by some as a long term necessity albeit with the need to increase transparency and devote more time to educating people on what the tax payer gets in return for the single payment. Some support for capping the first Pillar e.g. on the basis of farm size. There are differences of view over whether agriculture should be seen as the hub of the rural business community;

The current decoupled system in Scotland, based on historic payments, could continue to skew production and decisions away from market outcomes. Decoupling is allowing new mechanisms to flourish in some areas but not in others;

Finally, rural skills issues are not being addressed. Questions emerge about whether the agriculture budget alone can shoulder both this and the wider responsibility for rural development. Primary production (i.e. farming) needs to be considered in an integrated way with food production e.g. processing. The role of supermarkets and banks are also paramount to enabling farming businesses to flourish.

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