

National Advice Hub  
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## 2021 Scottish Farm Support

The Scottish Government has introduced legislation that will keep farm support approaches broadly the same until 2024 i.e. during their transition period. In the recent spending review, it was also indicated that the 'total spent' on farm support in 2021-2022 will be the same as the spend in 2019. In addition, Scottish Government also announced that they will retain the Less Favoured Area Support Scheme (LFASS) from 2021 to 2024 and the payment rates for each future scheme year will be fixed at the 2018 rate. The remaining £70 million convergence money is also due to be paid by the end of March 2021.

## Business 'resolutions' for the New Year

- Take stock of current business, understand your accounts, where your assets are, and assess profitability and efficiencies.
- Review your farm enterprises, investigate new markets and diversification options.
- Keep an eye on new opportunities and schemes, and make the most of updates and subscriptions available from farm advisors.
- As the new system of subsidies aim to take a more holistic picture of farm landscape, make the most of ILMP funding while still available.

For more Brexit planning and resilience resources visit:

[www.fas.scot/rural-business/brexit/](http://www.fas.scot/rural-business/brexit/)

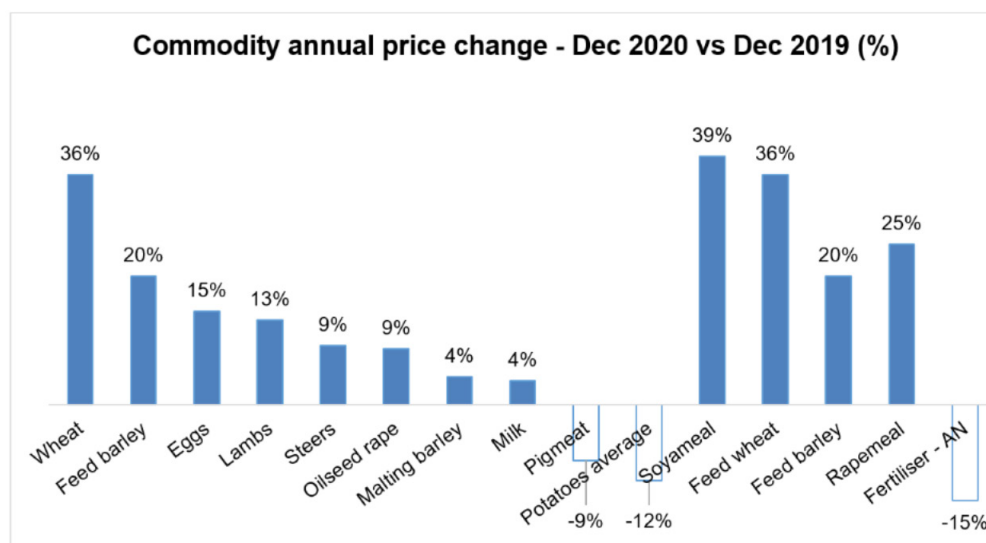
2020 was a better year for farming, with many commodities seeing rising prices led by cereals, beef, lamb and eggs (See *ABN – Jan 2021*). On the downside potato and pig prices fell. Weather conditions and crop growth were good to fair. Input cost changes were mixed; lower fuel and fertiliser costs benefitting crops most while sharply higher feed costs dented livestock margins. Overall prices were more stable than expected following last autumn's frantic Brexit negotiations, and coronavirus highlighting the essential role of farmers in feeding the country with quality produce.

2021 will present both new challenges and new opportunities, including adapting to post Brexit regulation and subsidies, changing global markets (see *Global trends – Jan 2021*) and our relationship with the EU, and not least the impacts of a third lockdown on businesses and supply chains (see *Covid & supply chains – May 2020*). The fact that a deal was done between the UK and EU brings certainty and indicates that practical necessity to stay close to the EU single market finally trumped the pro-Brexit rhetoric. As an industry we start the year in a much stronger position than was anticipated, but it is clear that resilience and innovation will be key to success in the coming months.

### Brexit update

Just in time for Christmas, the UK and EU finally reached a Brexit deal, described as a 'win-win' for all nations. This was a welcome sigh of relief for many people, with growing concern that a No-Deal Brexit would further compound disruption already heightened by Covid, in particular the significant backlog of haulage into and out of the UK ongoing for several weeks. There will still be some delays at customs in the first few weeks of the year with additional paperwork at borders, of particular concern to exporters of perishable goods, and the shifted position of the EU market may require some adaptation of markets over time due to customs fees and new food safety restrictions (see *Innovative meat cuts – Nov 2020, and Red meat after Brexit and Pig market update – Aug 2019*). However, the zero tariff, zero quota agreement will provide much greater stability of food supply and avoid the increased food prices expected from a No Deal Brexit. It also retains important export markets such as for sheepmeat, and other animal products where WTO tariffs would throw up challenges for carcass balance (see *Brexit & the sheep sector – Sept 2019*).

There were some initial casualties notably the exclusion of UK and Scottish seed potato exports to EU markets (including Northern Ireland) from 1 January 2021. This loss comes from the EU's unwillingness to recognise the UK's third country phytosanitary standards for seed potatoes. It is hoped that this can be resolved over time but whether and when



this can be done remains major concerns for the industry. Around 20% of Scottish seed potato exports enter EU markets and decisions on varieties to be planted must be made within the next month or so.

The implication of the UK's EU exit may take time to become fully apparent. One example is the requirement to meet Rules of Origin. To remain duty and tariff exempt, UK exporters must prove a minimum share of product value has been produced in either the UK or the EU. The requirement for exporters to provide documentation to comply with rules of origin rules have been deferred for one year by both EU and UK. This is a future major potential headache particularly for more complex processed products such as biscuits, pies, sandwiches, ready meals etc.



**Farm  
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## **Future focus: environment, net-zero, provenance, trade deals**

On 1 January 2021 the UK fully exited the EU CAP leaving it free to redirect agricultural support as needs be. In late 2020, the UK set new ambitious UK climate targets of 68% reduction in net carbon emissions by 2030, and in November 2021, the UK and Scotland will host the global climate summit, COP26, in Glasgow (see *Climate change targets – June 2019*). This all suggests that 2021 will be a year of increased attention to the environmental impacts and benefits of agriculture, and how these services fit into Britain's new place in the global economy and agri-food commodity markets. 'Carbon' and 'sustainability' were buzzwords of 2020, with both retailers and schemes such as the current SACGS incorporating farm carbon footprints as part of environmental assessments (see *SACGS and AECS trial – Oct 2020*); according to a recent survey by the CLA just 15% of land managers having looked at their carbon footprint, a trend expected to change over 2021. Questions around the role of agriculture in managing carbon, particularly in relation to imported products versus homegrown products (e.g. grass-fed meat, soya alternatives- see *Soil carbon sequestration – June 2020, and Sustainable soya - Feb 2020*), will continue to further the debate around the provenance of food and the 'path to 'Net-Zero'.

The last few months have seen new or rolled-over EU trade deals with Canada, Japan, Australia and Norway; Biden's presidential win also throws new up a new set of priorities in a UK-US trade deal, including maintaining peace in Ireland and a greater focus on environmental, human and animal welfare standards than the Trump administration. Completion of a full trade deal with the US may now take much longer to negotiate, though there is some hope that progress can be made on lifting US tariffs on Scotch malt whisky exports, and that Biden is less likely to push through a deal that forces the UK to drop food standards. Outcry from the farming industry against a vote in the Commons against leaving British food standards exposed post-Brexit, twice defeated in the House of Lords, may have raised attention to the issue, although experts warn there is still much room for interpretation of rules by ministers now that we have left the EU.

## **Transition to new agricultural support across UK and 'public goods'**

Post-CAP systems of agricultural support across the UK will play an important role in achieving environmental goals for the sector, with the recently finalised UK Agricultural Bill setting out the transition from direct subsidy in England to future payments tied to environmental and public goods compliance (see *Post-CAP subsidies across UK – July 2019*). Scotland is set to receive a BPS substitute until 2024, buying the industry time to investigate and adapt to new markets, and to watch and learn from a public goods framework rollout south of the border; this is an opportunity not to waste! The question is to what extent might Scotland follow a similar framework, and what adaptations will be needed to work for the unique landscapes and farming systems in Scotland (see *Scottish Ag bill – Dec 2019*). While a transition to a new system of payments will in time bring some disruption, the focus on 'public goods' is also an opportunity to assess and capitalise on the wider benefits of your farm, and to make the most of new funding to maximise efficiencies (see *New rural dev funding – Dec 2020 and SACGS – Oct 2020*).

## **Making the most of opportunities**

This new year in particular is a good time to take stock of opportunities for new markets, new sources of funding and business, as this isn't just bad news for farming. The start of 2021 heralds more certainties than we have seen for several years though these come with their own challenges.

Our position with the EU is now clear – we have maintained tariff and quota free access to the single market with some added friction. Significant UK divergence away from EU standards will have repercussions. In addition Biden's win means the US will be in no rush to do a trade deal with the UK. This suggests a period of market stability. 2021 may present a window of opportunities to increase the share of the domestic market as extra logistic and admin costs hinder imports and the UK has yet to open-up to greater non-EU import competition. It also puts the pressure on farmers and the agri-food industry to develop new products and reach new global markets in view of the greater global competition expected in future years. The future direction of UK agricultural support is set to shift to delivering public benefits with the same funding level until 2028. So public support remains for agriculture to tap into – the gauntlet is down for farmers to deliver environmental benefits to ensure these funds are maintained.

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**AgriBusiness News is a monthly publication providing up-to-date market and policy intelligence for farmers and other rural professionals on all key farming sectors and specialist issues. If there is a topic that you would like us to cover in an upcoming edition please get in touch.**

**Current and previous issues can be accessed without charge on the FAS website (where you can find all the references starting "(see...)).**

A printed copy can also be supplied for a charge of £50 per year. For further information please contact the Rural Business Unit on 0131 603 7525 or email [abn@sac.co.uk](mailto:abn@sac.co.uk).

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## **Advice line**

For free telephone advice on a wide variety of topics and technical issues, call us on 0300 323 0161 or email [advice@fas.scot](mailto:advice@fas.scot). The advice line operates between 9am and 5pm Monday to Friday.

## **Bespoke Advice and Grants**

FAS can also help you to increase the profitability and sustainability of your farming business through Scottish Government grants including Integrated Land Management Plans (ILMPs) – worth up to £1,200. The ILMP will identify opportunities and cost savings for your business, based on an independent and confidential assessment of your business by an experienced farm business adviser of your choosing. As part of your plan you can choose to benefit from up to two further specialist advice plans.

## **Online**

Our website contains articles, videos and much more at **[www.fas.scot](http://www.fas.scot)**