

Farm Funding and the Scottish Budget, 2025-2026

November 2024

Key points:

- The Scottish Government has the opportunity to increase funding for nature and climate friendly farming by £53 million in the coming financial year due to UK Government decisions to increase Scotland's overall budget by £3.4 billion for 2025-2026.
- The Scottish Government should increase funding in 2025-2026 for: the **Agri-Environment-Climate Scheme** (£25 million); **organic farming and the Organic Action Plan** (£8 million); and, **advice and training** for farmers and crofters (£5 million), to support the transition to nature and climate friendly farming.
- The Scottish Government should introduce: a **fund to facilitate collaboration** between farmers and crofters for environmental and supply chain purposes (£5 million); and, additional funding to support **low density agroforestry and farm woodlands** (£10 million).
- Looking ahead, LINK members want to see an increased, ring-fenced, multi-annual budget for farm support in Scotland. By 2028, at least 75% of the farm budget should be spent supporting nature and climate friendly farming if the Scottish Government's Vision for Agriculture is to be achieved.
- LINK members are calling more widely for funding for nature in Scotland to be protected, and ultimately increased.

Background: Scotland's agriculture budget

In recent years, Scotland has received ring-fenced funding for making farm support payments, additional to its block grant from the UK Government. This was first as part of the Common Agricultural Policy and, since Brexit, as a commitment in the last spending review. That ring-fenced funding has amounted to £620 million per annum with a small amount of extra funding added from domestic sources, bringing the total to £647 million per annum for farm payments of various kinds in Scotland.

This funding level has been relatively static for the past decade; in real terms the Scottish farm budget should be closer to £810 million per annum. More critically, a [recent analysis](#) of how much funding is needed across the UK to deliver nature and climate commitments through the management of farmland puts the figure for Scotland at £1.8 billion per annum for the next ten years.

The recent UK Budget has introduced a significant change to the farm funding allocation for Scotland and the other devolved nations. [The Statement of Funding Policy](#) says:

'From 2025-26, the Barnett formula will apply in the usual way to funding for agriculture and fisheries, rather than the devolved governments receiving a ringfenced addition to the block grant as they did for Spending Review 2021. Funding from 2024-25 has been baselined in each devolved government's block grant.'



Scottish Environment LINK the voice for Scotland's environment



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We understand this means that, for 2025-2026, the Scottish Government will receive the same amount of agriculture funding as previously but that going forward any changes to Defra spending (increases or decreases) will have consequential implications for Scotland in line with the Barnett formula. Scotland will not know what its longer term budget settlement looks like until the outcome of the UK Comprehensive Spending Review is announced in Spring 2025.

Nonetheless, the overall increase of £3.4 billion in the Scottish Government's budget for this coming financial year provides the scope to increase investment in nature and climate friendly farming now and make progress towards its [Vision for Sustainable and Regenerative Agriculture](#).

LINK budget proposals for 2025-2026

Given the overall increase in Scotland's budget for 2025-2026, LINK members want to see:

- **An increase in funding for the Agri-Environment-Climate Scheme (AECS) to £55 million**, equivalent to its peak in 2017. In 2024-2025 the budget was just £29.6 million. As highlighted by NatureScot, AECS represents Scotland's most important investment for securing environmental benefits from the land. It has faced successive budget cuts in recent years resulting in some land management options and priorities being removed or restricted, funding for public access being suspended and fewer farmers and crofters being able to secure agreements each year. This has meant less positive environmental management can be supported on farmland. This situation needs to be reversed. More farmers and crofters should have access to AECS, with priority species, habitats and landscapes targeted for new agreements and funding for public access reinstated (**£25 million**)
- **Continued support for organic farming and funding to deliver the Organic Action Plan**. Support for conversion to, and maintenance of, organic farming is funded through AECS and requires £5-6 million per annum whilst the Organic Action Plan needs £2 million in 2025-2026 with an overall commitment of £8-9 million over the life of the plan for 2025-2030. Funding for organic farming and the sector should be considered additional to the above proposal for extra AECS funding. (**£8 million**)
- **Additional funding for advice and training for farmers and crofters to support the transition to nature and climate friendly farming and continuation of the Knowledge Transfer and Innovation Fund (KTIF)**. Additional advisory support could be achieved by creating a dedicated fund for advice and training providers to bid into with proposals for advisory provision, or through existing advisory service routes. Farmers and crofters need good quality advice and information to help them manage their land to help nature and take climate action. The introduction of Whole Farm Plans and various audit requirements in 2025 and proposals to introduce Enhanced Conditionality on direct payments in 2026 (Tier 2) will create new demand for advice, as would increased AECS funding. Peer-to-peer learning is also valuable in terms of mindset shift and practice change. Funding should continue for KTIF and challenges spending existing budgets should be addressed. (**£5 million**)
- **Funding for third parties to facilitate collaborative action between farmers and crofters**. In the past, the Scottish Government had plans to introduce an Environmental Co-operation Action Fund but this was never introduced. Achieving environmental outcomes at landscape scale is desirable to maximise impact but requires farmers and crofters to collaborate and work together to agreed objectives. Such collaboration usually requires facilitation and a project approach encouraged by a

third party or other actor and the funding to make it happen. Collaboration is also desirable in the context of developing shorter supply chains and helping producers work together. (**£5 million**)

- **Increase financial support for low density agroforestry/farm woodland.** There is scope to double the area of land in low density agroforestry/farm woodland if there were an increase in funding and payment rates were set to provide sufficient incentives. Appropriately sited agroforestry and woodlands, avoiding existing areas of nature conservation value such as unimproved species-rich grassland and wetlands, with the right choice of tree species focusing on native species, can be beneficial for nature and from a climate perspective. Scottish Government needs to consider the best and most attractive route to farmers to deliver such funding e.g. AECS, Forestry Grant Scheme or other. (**£10 million**)

These funding proposals represent an additional £53 million spend for 2025-2026 financial year with ongoing commitments.

Scottish Environment LINK farm funding asks – the bigger picture

Looking ahead, LINK members want to see an increased, ring-fenced, multi-annual budget for farm support in Scotland. By 2028, we believe the majority of this funding (75%) should be spent supporting nature and climate friendly farming, thereby underpinning sustainable food production and Scotland's farmers and crofters.

The Scottish Government has proposed a four-tier structure, transitioning from CAP schemes and payments, with the first changes being introduced in 2025 and thereafter. LINK members support the government's vision but believe the decisions it has made to date will fail to deliver it. We need to see faster progress being made now.

Ministers have stated that Direct Payments are being retained (forming Tiers 1 and 2) and 70% of the farm budget will remain allocated to these. LINK members believe this choice is the wrong one and will severely limit the progress that can be made. The government is already struggling to apply conditionality to these payments in ways that will deliver meaningful environmental outcomes at scale. A further 11% of the budget is sitting in the Less Favoured Area Support Scheme (LFASS) and is distributed in such a way that it does not support the most agriculturally disadvantaged or environmentally important farms and crofts in the uplands. The allocation of such a large proportion of farm funding to schemes that are poorly designed to deliver for nature and climate is problematic. The smallest share of funding (5%) is allocated to the Agri-Environment-Climate Scheme (AECS) which supports nature and climate friendly land management and organic farming. Very little funding is given to advisory services, knowledge transfer and innovation and to grants for agroforestry and there is no funding to facilitate collaboration between farms and crofts e.g. to deliver landscape scale environmental improvement. These latter schemes and payments should form the foundations of more transformational Tiers 3 and 4 but a continued lack of funding will severely limit their scope to deliver positive outcomes.

The Scottish Government needs to take steps now to get its Vision for Agriculture back on track. This requires different funding decisions than have been taken to date and real investment in the sort of farming schemes and payments that can actually deliver for nature and our climate.

Beyond farm funding, Scottish Environment LINK is also [calling](#) for funding for nature in Scotland to be protected, and ultimately increased, in order to achieve the government's own environmental commitments and targets.

Scottish Environment LINK is the forum for Scotland's voluntary environment community, with over 40 member bodies representing a broad spectrum of environmental interests with the common goal of contributing to a more environmentally sustainable society.

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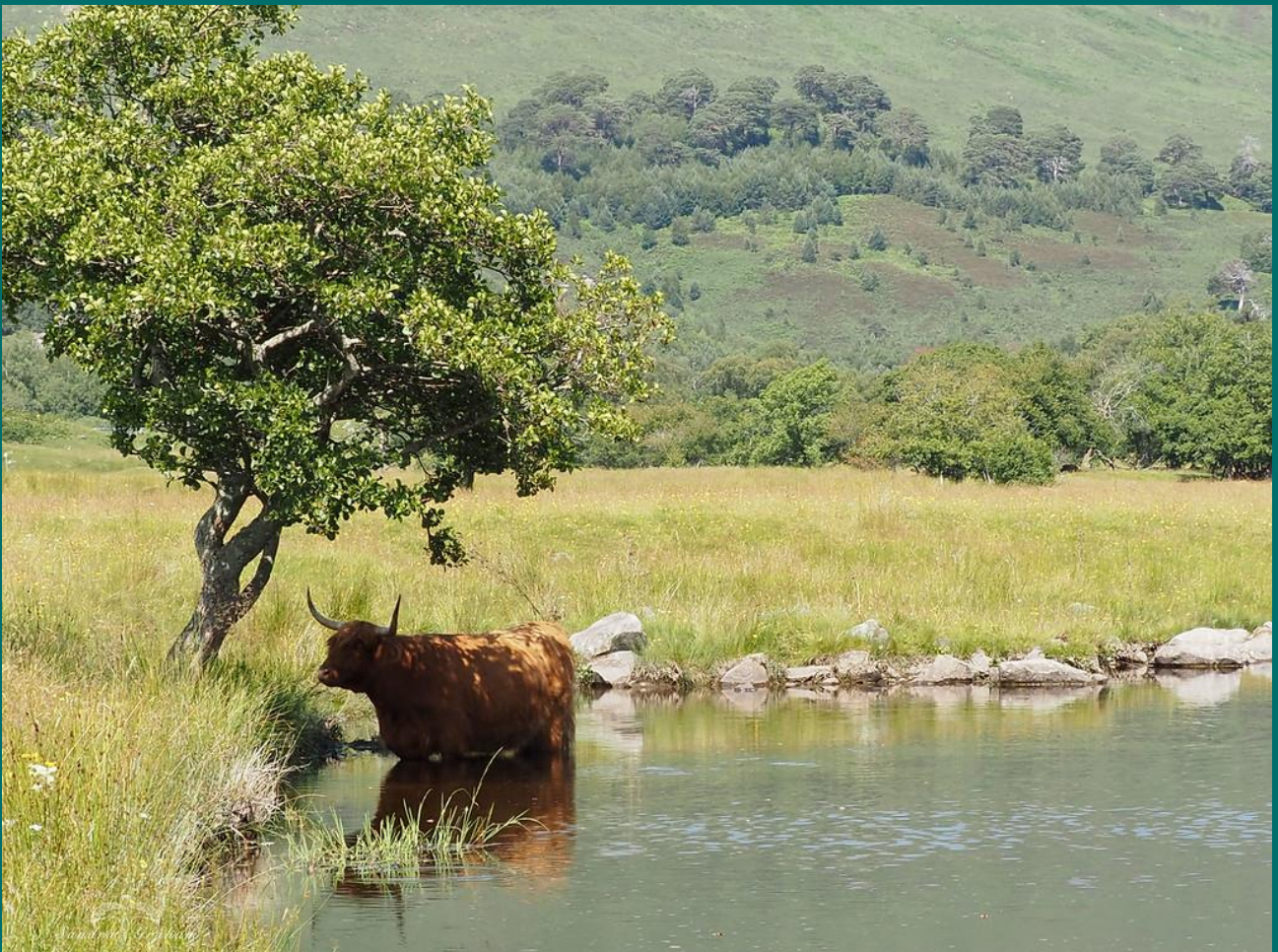


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