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Environmental grants and regulations in strategic farm business decision-making: A case study of attitudinal behaviour in Scotland

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ABSTRACT

This paper addresses the question of farmer responses to agri-environmental programming in light of the Single Farm Payment, focusing on the role of environmental regulations and grant schemes in strategic farm decision-making. Utilising Ajzen's theory of planned behaviour in a qualitative case study of farmers in Upper Deeside, Scotland, it was found that farmer respondents actively consider environmental regulations and grant opportunities as part of their decision rationale in making investments in farm development, such as agro-industrial building construction or securing additional land. Fulfilling agri-environmental regulations is constructed by respondents as being part of ensuring farm viability, while eligibility for agri-environmental schemes is impacting on how tenanted land is valued. The author identifies three mechanisms facilitating farmer up-take of environmental schemes, and makes a case for consideration of farmers as experts in producing environmental outcomes while maintaining economic sustainability of farming operations.

Introduction

Recent changes to subsidy structures have dramatically increased the influence of UK agri-environmental policy: the introduction of the Single Farm Payment has meant that primary subsidies on which many farmers depend now come with environmental provisos. Although it is unknown how strongly these added environmental regulations are enforced, it is notable that they apply to the whole farm. It is therefore unlikely that most farmers' environmental considerations continue to be focused solely on a small portion of the farm – "the environmental bit" set apart from productive activities for scheme participation – as Burton (2004b) and others have observed in the past, but that farmers must consider their actions across the farm in light of these new regulations. This paper revisits the discussion of farmer attitudes and participation in environmental programming in light of this recent policy shift, specifically addressing how agri-environmental considerations feature in strategic farm decision-making: long-term investments in farming operations.

Farmers and other land holders across the EU have had opportunities to access environmental funding for over 20 years. This research is placed within the context of UK agriculture, where agri-environmental schemes were first introduced in the mid-1980s, in the form of the 1986 Agriculture Act, followed by the Environmentally Sensitive Areas Scheme in 1987 (Hanley et al., 1999), which applied across the UK. In Scotland, where the case study is located, the Countryside Premium Scheme was added in 1996, opening up access to agri-environmental funding to all farmers, not only those in designated environmentally sensitive areas (RSPB, 2007). The Rural Stewardship Scheme was introduced in 2000, as part of the new Scottish rural development plan. It carried on directly from the Environmentally Sensitive Areas and Habitats Schemes, guaranteeing entry to all existing recipients. Applications were considered on a competitive basis. (For further details of the schemes, see Table 1.) It is notable that these schemes all include the requirement that a set of environmental standards be met across the whole farm, not simply the part targeted directly in the scheme. When government subsidies were decoupled from production in the Single Farm Payment (SFP), this 'new' subsidy similarly included environmental provisos, which go considerably beyond any minimum practice standards set in the subsidies it replaced, to include animal welfare, food safety, environment, animal and plant health measures. The SFP therefore represents a major shift in agri-environmental programming.

In Scotland, a recipient's SFP entitlement is calculated from an average the amount of eight production subsidies received by the farm business between 2001 and 2003, minus a small percentage (3–7% per annum) termed 'modulation', which cumulates year on year (see Scottish Executive, 2004a,b). Under the SFP, the recipient is not required to produce the same (or indeed any) of the

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Table 1
4 major subsidy sources available to study site farmers in 2006[a].

	Environmental subsidy	Accessible to...	Guaranteed funding if rules met?	Provisos	Payments in Scotland in 2005
Single Farm Payment	No	Farmers historically receiving at least one of 8 production subsidies	Yes	Good agricultural and environmental conditions—cross-compliance	£367.78 million
Land management contracts	Yes	Those eligible for SFP	Yes	Standard of good farming practice	£14.8 million
Rural stewardship scheme	Yes	Anyone with an agricultural business license	No	Standard of good farming practice; specified general environmental conditions	£12.03 million
Less favoured areas support scheme	Acreage-based; minimum headage standards	Farm at least 3 ha of eligible forage land in the Scottish less favoured areas (LFAs) and maintain a grazing herd	Yes	Good farming practice guidelines and environmental conditions, equivalent to those underpinning the RSS scheme.	£58.99 million

Compiled from: Scottish Executive (2006, 2007).
[a] There are a number of other subsidies available to study site farmers, but these are the most significant.

commodities for which the original subsidies were given, but must remain involved in 'agricultural activity', fulfil statutory management requirements (cross-compliance) and maintain their land in Good Agricultural and Environmental Condition. Land Management Contracts (LMCs) were introduced in conjunction with the SFP, forming the second tier of the subsidy strategy. Access is limited to those with SFP entitlements, with maximum payment levels based on the amount of land declared in the same year's SFP application. Farmers can choose from a menu of activities, up to their maximum funding limit. Similar to the SFP, approval of a LMC is guaranteed, provided the farmer meets the standard of good farming practice for all of the holding. This standard is over and above that of cross-compliance for the SFP. Thus, under the combined SFP/LMC subsidy strategy, farmers retain most of what once were production subsidy funds through adherence to a set of environment and health measures; they also have the opportunity to retain much of the 'modulation' amount through adherence to even higher environmental standards, and engagement in specific activities.

Academic concern with environmental schemes has been that participation has not led to a shift in associated environmental values (Lowe et al., 1999). Instead, financial goals continue to figure highly in farmers' engagement in environmental schemes (Wilson, 1997; Morris and Potter, 1995; Burgess et al., 2000), although there is some recent evidence that agri-environmental values are increasing in importance (Wilson and Hart, 2000). From an economic standpoint, it is not surprising that agri-environmental schemes have failed to make significant inroads into farming culture: historically the incentives and resultant activities represent very a small component of farm income, relative to income from other subsidies (Hanley et al., 1999), production itself and off farm income in many cases. It was possible to sideline environmental scheme participation or opt out entirely, while focusing on meeting other farm goals. Clearly this is no longer the case. Single Farm Payments to Scotland's farmers are now published by Scottish Government (2008), yielding the information that the vast majority of Scotland's farmers (93.5%) received less than £100,000 in 2006 (with an average of £14,900), in comparison to an average net farm income of £10,100 (Scottish Executive, 2007). Most Scottish farmers must comply with extensive land management regulations in order to be assured of access to a subsidy which often represents an entire year's profits.

In this paper, the author places agri-environmental participation within the context of strategic farm decision-making, addressing the question of how rationales behind major investments (specifically agro-industrial building construction and land acquisition) compare with rationales for engagement in environmental schemes, and how environmental schemes and regulations feature in these long-term investment rationales. To date, agri-environmental issues have largely been viewed in isolation—separately from discussion of other farm decision-making, and therefore outside of the broader picture of farmer priorities. By analysing agri-environmental activity within the context of farm decision-making as a whole, the mechanisms by which agri-environmental considerations are being included in farm decision-making become evident. Further, the author builds a case for the consideration of commercial farmers as experts in producing environmental goods.

Methods

The arguments in this paper are drawn from qualitative research undertaken in Upper Deeside, Scotland, and analysed using Ajzen's (1991) theory of planned behaviour. According to this theory, an individual's *intention* to perform a given behaviour is the central factor in determining whether the behaviour will occur. The concept of intention captures motivational issues: how much effort an individual is willing to expend to perform behaviour, and therefore the likelihood of the behaviour occurring (Ajzen, 1991, p. 181). Intention is influenced by three distinct factors: attitude towards the behaviour, subjective norms, and perceived behavioural control. *Attitude toward the behaviour* "refers to the degree to which a person has a favourable or unfavourable evaluation or appraisal of the behaviour in question" (p. 188); in effect, the value the individual places on the behaviour and its outcomes. *Subjective norm* "refers to the perceived social pressure to perform or not to perform the behaviour" (p. 188). This reflects the social context in which the individual is making the decision: the perceived attitudes held by other people of importance to the individual. The inclusion of social context is what set Ajzen's work apart from previous theories, which had (unsuccessfully) sought to link attitudes towards behaviours directly to behaviours (Burton, 2004a).

The inclusion of the third factor, *perceived behavioural control* in the theory of planned behaviour is what distinguishes it from its predecessor, the theory of reasoned action. It "refers to people's perception of the ease or difficulty of performing the behaviour of interest" (Ajzen, 1991, p. 183). This is distinct from the actual limitations on performing the behaviour (opportunity, resources, etc.), emphasising instead how these are perceived. The emphasis on perception is characteristic of all three factors, consistent with an overall perspective which does not conceptualise individuals as rational actors, able to accurately evaluate the probabilities and benefits of the decisions they make. Instead, decision-makers are conceptualised as relying on a smaller number of variables, of spe-