NFUScotland

Business Guide Update

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SUMMARY OF THE BRIAN PACK INTERIM REPORT

The interim report of the Brian Pack Inquiry into the future support for agriculture in Scotland was published on Thursday 21 January. The purpose of the Inquiry was to identify the key issues faced in Scotland and consider the sort of support that might be appropriate. NFU Scotland will be carefully considering the options put forward in the interim Report and commenting on these in more detail later. This business guide update provides a summary of the Report.

The Report at this stage is a discussion document. The figures provided with the model of future support are there to stimulate comment and discussion.

Brian Pack Interim Report

In terms of changes to agricultural support, the Report can be broken down into two halves. Firstly, emerging ideas about the future of agricultural support and secondly, emerging ideas about tackling short-term issues. Before the report deals with any of these issues it clearly sets out the case for ongoing direct support payments and discusses the political context within which any change will be made.

Emerging Ideas about the Future of Agricultural Support

The position reached by the Inquiry is that there should be no change from the historic single farm payment prior to 2013. A reason for this is that the shape of the post-2013 support regime in Europe is at this time very uncertain and that a change now before the new system is known would be a mistake. According to the interim report, when the change is made from the historic-based SFP to the new area-based SFP it should be done in a single step. Given an EU agreement, if achieved, is likely to be very close to the start of the 2013 scheme year it is proposed that the change to an area-based payment system should happen in the 2014 scheme year.

There are four parts to the model suggested for a future agricultural support system:

- Direct Payments
- Top Up Funds
- Rural Development Programme
- Less Favoured Area Support

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Direct Payments

The Inquiry has concluded that there is an ongoing need for direct payments. These payments would be to provide some financial stability against market volatility and to compensate farmers for the increased costs stemming from regulation. The Inquiry has also concluded that any future direct support system will have to be area-based and that there should be an activity requirement. The activity requirement would require producers on pasture land to maintain a minimum stocking density. Land that did not achieve the minimum stocking rate would receive no area payment.

For the purpose of providing an example of an area-based direct payment in the Report the basis of allocation chosen is the Macaulay Land Capability for Agriculture classification.

The payment rates suggested are:

LCA Class	Annual qualifying requirement	£/ha
1 - 3.1	GAEC & minimum cultivation (new GAEC) of arable land	130
3.2 – 5.1	GAEC incl Stocking rate >0.12	130
5.2 – 5.3	GAEC incl Stocking rate >0.12	45
6.1 – 7	GAEC incl Stocking rate >0.12	15
3.2 – 7	Failure to achieve Stocking rate >0.12	0

The amount of money suggested as an area-based direct payment is two-thirds of Scotland's Single Farm Payment pot.

All land would be eligible which is some 6 million hectares of utilisable land. This compares to the 4,365,530 hectares used to activate the current historic-based SFP. However, with a minimum stocking density proposed, it is believed that only around 5 million hectares will receive the new area-based payment.

Top Up Fund (TUF)

Instead of allocating all direct payment monies into an area-based payment, it is proposed that some of that money is retained in a fund, which can be regarded as a "Top Up Fund" available to the recipients of direct payments provided they undertake activities that are targeted at achieving certain specific outcomes. About one-third of Scotland's Single Farm Payment pot would be allocated to the TUF. It is suggested that the TUF could be directed to an individual claimant in proportion to their direct area payment. At this time the report does not flesh out the top up schemes but asks for suggestions on the type of measures that may be included.

Rural Development Programme

Little comment is given in the interim report on the rural development programme but it is stated that comment will be provided in the final report.

Less Favoured Area Support

It is stated that LFA payment should be viewed as distinct and separate to the suggested area-based direct payment scheme and that it is inappropriate at this time to comment further until the outcome of discussions for the 2011 scheme year are known.

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Emerging Ideas about Tackling Short-Term Issues

The report acknowledges that there have been losers under the historic model but concludes, for a number of reasons, that there should be no change to the historic single farm payment prior to 2013. The changes that are considered in the Report for implementation in the short term are measures to deal with inactivity and a new top slicing of single farm payments to finance Article 68 measures.

Inactivity
In terms of dealing with the issue of inactivity the report concludes that the only tool available to address the concerns expressed by the industry of inactivity and receipt of the single farm payment is Good Agricultural and Environmental Condition (GAEC) requirements. In terms of GAEC, the Report suggest measures to tackle inactivity in the livestock and cereal sectors to ensure that a SFP can only be received on actively farmed land. On grazing land it is suggested that a minimum stocking density of 0.08 LU/ha and a maximum stocking rate of 2.5 LU/ha is introduced to tackle inactivity. On arable land it is suggested that land that is left fallow would be required to have a cover crop sown and a maximum period where land is allowed to be left fallow. Where a farmer falls foul of the grazing or arable requirements a cross compliance penalty would be applied.

Article 68
The Report considers the options for using Article 68 of the CAP Health Check Regulation. It concludes that the only way to make short-term changes to the way that European subsidies are used in Scotland is to use Article 68. It concludes that if Scotland is limited to only 3.5% of the Scottish SFP ceiling then it is not possible to do anything else if the Scottish Beef Calf Scheme is retained. However, if the amount that can be top sliced from Scottish Entitlements is equivalent to 3.5% of the UK's ceiling then there are options available. It is stated that such a decision is not at the discretion of the Scottish Government but would require agreement from the other three regions of the UK.

Any new article 68 measures could apply for the 2011 scheme year but there is a risk that Europe could remove the provisions in the CAP for special support through Article 68 in its 2013 reform. That means that any new scheme may only have a two-year life span. Indeed the view of the Inquiry is that Article 68 would not have a place in any future support scheme post 2013.

The options presented are:

- A payment of £150 per cow in the LFA up to a maximum of 40 cows. Cost £30 million. Allowing for modulation this would mean a 5.9% top slice of all single farm payments.

- Extending the Scottish Beef Calf Scheme to 50% beef bred animals. Cost £22.9 million. Allowing for modulation this would mean a 4.5% top slice of all single farm payments.

- A cattle health scheme to eradicate BVD. An annual payment of approximately £30 per cow at a cost £12 million. Allowing for modulation this would mean a 2.4% top slice of all single farm payments.

- A sheep scheme for North West Scotland of £15 per lamb. Cost £10 million. Allowing for modulation this would mean a 2% top slice of all single farm payments.

If any of the new suggested Article 68 measures were introduced it is proposed that the current Scottish Beef Calf Scheme would be terminated at the end of the 2010 scheme year.
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Open Meeting Schedule for Pack Inquiry

The schedule for open meetings with Brian Pack and his Inquiry Team are as follows:

January 26 - Haddington (Town House)
January 27 - Dumfries (Cairndale Hotel)
January 28 - Ayr (Western House Hotel)
February 1 - Inverurie (Thainstone Centre)
February 2 - Inverness - Ramada Inverness Hotel
February 9 - Thurso - The Park Hotel
February 10 - Kirkwall - The Albert Hotel
February 11 - Lerwick - Clickimin Leisure Centre
February 15 - Oban - Corran Halls
February 16 - Perth - Dewars Centre
March 15 - Benbecula - Dark Island Hotel
March 16 - Stornoway - Caberfeidh Hotel

All meetings are scheduled to start at 7.30pm.

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