

Date : November 2009
To :
cc :
From : Jonnie Hall
Direct dial : 0131 472 4002
E-mail address : jonathan.hall@nfus.org.uk

LESS FAVOURED AREA SUPPORT SCHEME 2010-2013

Introduction

This Briefing is intended to provide members of NFU Scotland with a comprehensive update on progress made in the development of a new Less Favoured Areas Support Scheme (LFASS) that will operate from 2010 until 2013. It is based on existing decisions already taken by the Scottish Government and the process of implementing those decisions in a satisfactory way. As a result, the views and priorities of NFU Scotland for LFASS 2010-2013 are made very clear.

Summary

The key issues and messages in this Briefing can be summarised as follows

- Overall, the support package announced by the Cabinet Secretary on 10 June is good and should be welcomed as it effectively delivers most if not all of that NFU Scotland set out as the way forward in its Manifesto for the Hills.
- However, the blunt approach to LFASS does not target support to the most vulnerable units regardless of their location.
- Simplistic and partial re-basing of LFASS for 2010 is only a small step towards progress and further work is needed on issues such minimum stocking densities, grazing categories, etc.
- Proper reform of LFASS focussing on ‘activity’ is still required.
- In 2010, the Scottish Government is committed to working with NFU Scotland to develop a hill grazing Land Managers’ Option (LMO) and further refine LFASS for 2011 onwards.

Background

NFU Scotland welcomed the package of measures set out by Richard Lochhead MSP, Cabinet Secretary for Rural Affairs and Environment, to the Scottish Parliament on 10 June. Taken together, the series of related policy decisions clearly set out the Scottish Government’s intention to support Scottish agriculture and the intention to ensure that such support is directed to those actively farming. The Cabinet Secretary for Rural Affairs announced the following:

- No further use of Article 68. This could have top-sliced up to 10% of all producers' Single Farm Payments.
- Retention of the Scottish Beef Calf Scheme.
- A 19% increase in the 2009 LFASS payments for those in the Fragile and Very Fragile areas.
- A re-basing of the 2010 LFASS payments. Beneficiaries of the re-basing exercise will include new entrants and so-called 'anomaly' cases that have been effectively frozen out of LFASS for 2007-2009.
- A further increase in the payment rates in the Fragile and Very Fragile areas for the 2010 LFASS, giving a total uplift of 38% compared with 2008.
- The nominal LFASS budget will increase from £61 million in 2008 to around £70 million in 2010.
- Development of new Land Managers' Options which farmers will be able to apply for in 2011.
- Review of the Single Farm Payment Scheme, with a report to be presented to Scottish Government in spring 2010.
- Changes to the application process for Rural Priorities, with greater support for some environmental and new entrant categories.

The immediate 19% increase in LFASS payments for 2009 for those in the Fragile and Very Fragile areas is a great shot in the arm – and all LFASS recipients in those areas will see a significant increase in the payment they receive early in 2010. The headlines provide a very positive message for those who have stuck to the task in hand, and all the benefits that follow from their hard work.

From 2010 onwards, the current LFASS will be replaced by a revised scheme. Again, the headlines report a further increase in payment rates in the Fragile and Very Fragile areas, giving a total increase of 38% compared with LFASS 2008.

Re-Basing and Targeting of LFASS

The re-basing exercise Scottish Government officials are currently undertaking should strengthen the link between payment levels and farming activity, and the recent collection of animal data from LFA producers was a critically important aspect of taking LFASS forward.

However, within NFU Scotland's LFA Committee, with representation from every corner of Scotland's LFA, there remains concern that the headlines relating to LFASS disguise more fundamental problems with the way in which LFASS will continue to be targeted. The stated intention that the main beneficiaries would be sheep producers in the most vulnerable areas is entirely laudable - and is supported by NFU Scotland. But the reality might prove to be significantly different.

Re-basing, if done completely, would see a proper redistribution of funds from the 'inactive' to the 'active'. A real concern is that the exercise that is being carried out may well result in partial re-basing only - stocking densities and livestock ratios - so some who has de-stocked significantly could still find their LFASS paid in full so long as the minimum stocking rate is not breached.

In a variety of meetings at different levels of the Scottish Government, NFU Scotland has been pressing for all aspects of re-basing of LFASS to be considered. Work continues to explore more realistic and variable minimum stocking densities and revised grazing categories. Although it is now highly unlikely that any such changes could be introduced until the 2011 scheme year.

In particular, the issues of the minimum stocking density must be addressed - not least as for the more extensive units ewe hoggs will no longer form part of their stocking density calculation. The Scottish Government have agreed in principle that variable minimum stocking rates ought to be developed to reflect different qualities of land that may be as 'active' as they can be and are delivering a range of public benefits.

It will be important to get some 'evidence' of the benefits of low levels of grazing intensity from SNH, etc, in the context of both LFASS and a complementary hill grazing LMO. Support for getting the right intensity of grazing in the right place would provide extra weight to any argument on the need to support very extensive systems that are nevertheless active.

Such evidence might prove critical in the LMO design and, more importantly, the setting of variable minimum stocking densities below the current 0.12 LUs without being penalised under LFASS from 2011. However, that also means that robust tests of 'activity' will also need to be developed to ensure those at very low stocking densities are not simply milking the system.

NFU Scotland and the Scottish Government are now working together to refine proposals, to keep them practical and worthwhile on one hand and satisfy EU Commission scrutiny on the other. This work will continue into the New Year, with a view to submitting amendments to the EU for approval in sufficient time that a new hill grazing LMO can be included in the Single Application Form that will go out to all producers in March 2011.

Even if such issues are addressed, the real problem is that re-basing alone can only cement the existing distribution of LFA support. So even with the uplifts in LFA spending in the Fragile and Very Fragile areas, nothing has been specifically done to tackle the primary target of vulnerable hill units. Moreover, the new LFASS for 2010 onwards will do nothing for those active hill units in the Standard area, of which many also remain extremely vulnerable.

There remains the distinct probability that re-basing LFASS only will compound problems, rather than resolve problems, as it does nothing explicitly for hill sheep units and does nothing for Standard area.

The re-basing exercise is vital, but is limited at this time and does not alter the policy approach or the construction of the LFASS calculation, just the numbers put in. Re-basing does nothing other than catch up on activity - that is important but it is only a partial solution.

A very blunt regional approach does nothing to target limited resources. The vulnerable units with little or no option other than hill sheep production exist in all regions - the Standard, Fragile and Very Fragile areas only relate to the additional costs of remoteness rather than farming capability.

The revision of LFASS must go beyond simply re-basing stocking densities and enterprise ratios. Changing livestock information and LFASS parameters will not improve the targeting of support, other than to go some way to ensuring that those who are currently active will continue to receive payments.

NFU Scotland's LFA Committee is firmly of the opinion that the revision of LFASS must go beyond simply re-basing stocking densities and enterprise ratios, and consideration of minimum stocking densities and new grazing categories. Changing livestock information and LFASS parameters will not improve the targeting of support, other than to go some way to ensuring that those who are currently active will continue to receive payments.

Earlier in the year, NFU Scotland developed a modification to LFASS that would provide the necessary degree of targeting for sheep producers in the most vulnerable situations - regardless of lines on maps. Importantly, this proposal would not erode the vitally important support that would continue to be directed to active units that could keep significant numbers of breeding cattle.

In parallel, and as there appears to be little prospect of more significant changes to LFASS until 2011, NFU Scotland is pressing for action on the development and implementation of a targeted 'grazing management' option under Land Managers' Options. Specifically designed for and exclusively targeted at hill sheep units through tight eligibility criteria and/or ring-fenced to particular areas, such an LMO could make a significant difference to the most vulnerable units across the Standard, Fragile and Very Fragile areas.

The increases in LFASS payments for the Fragile and Very Fragile areas can only deliver short-term assistance to hill farming and are confined to more remote regions, rather than more vulnerable units. Back in June, however, and picking up on a key component of NFU Scotland's Manifesto for the Hills, the Cabinet Secretary also gave a commitment to review the role played by the LMOs.

This also picked up on a clear recommendation from Peter Cook's review of the SRDP that, whilst the overall balance of the SRDP was right, there was nonetheless an absence of 'entry level' measures through which farmers who had not participated in competitive schemes might test the water.

The Scottish Government accepted this recommendation and undertook to look specifically at the role LMOs could play in supporting grazing in the hills - with the possibility of differential limits for LMOs on hill farms.

Earlier this year, NFU Scotland submitted a suite of potential new LMOs to the Scottish Government, headlined by a hill sheep grazing option. This potential new option was specifically designed to support the considerable public benefits derived from active hill sheep farming (economic, environmental and social) and to aid the integration of LMOs with other support schemes, most notably the LFASS and the Scottish Beef Calf Scheme.

NFU Scotland and the Scottish Government are now working together to refine proposals, to keep them practical and worthwhile on one hand and satisfy EU Commission scrutiny on the other. This work will continue into the New Year, with a view to submitting amendments to the EU for approval in sufficient time that a new hill grazing LMO can be included in the Single Application Form that will go out to all producers in March 2011.

NFU Scotland has made the problems that face hill farming across Scotland a top priority, especially since the launch of our Manifesto for the Hills in September 2008. Since then, the LFA Committee in particular has worked tirelessly towards a more targeted approach to LFASS and the development of specific hill farming LMOs.