

**Scottish Government Consultation on future
Common Agriculture Policy (CAP) Direct
Payments in Scotland from 2015**



Scottish Crofting Federation's Members Briefing

Background

The purpose of the consultation on the future of CAP direct payments (Pillar one) is to help the Scottish Government decide on how the direct payments are implemented from the 1st of January 2015. It covers all of the sections which will make up the future direct payments and will look at the options which are available to the Scottish Government when implementing these new rules.

The briefing will help to explain these options, which are the most relevant to crofting and what the implications could be for crofting and the Highlands and Islands.

There are four main sections to the consultation:

- Basic Payments
- Environmental Measures
- Other Direct Payments
- The Overall Package

The deadline has been extended to the 28th of March 2014.

“Crofting is under threat, probably as never before” Patrick Krause Scottish Crofting Federation

Introduction

The purpose of this briefing is to inform members and to encourage you to submit your own response as well as contributing to the SCF's own response. We are also encouraging members to get together in local groups to respond.

While it could be beneficial for all members to read and respond to the entire consultation we recognise that not everyone will have the time or ability to do this. We have therefore pulled out the sections and questions which we feel are most important for you to respond to.

We have set the briefing out in a similar flow to the consultation to make it as easy as possible to follow the briefing. If you would like to discuss or comment on the briefing, please get in touch with Karen at HQ on 01599 530 005.

Section 1 - The Basic Payment (BP)

This will be the new form of the current Single Farm Payment when the new system comes into place in 2015. The BP will be supplemented by other payments which are described later. In the consultation a number of questions relate to how the BP will be calculated.

Types of Payment Regions

The consultation explains two options for division of payment regions. The current preferred Scottish Government's option is using the "historical land type". This would be broken down into arable, temporary grassland, permanent grassland and rough grazing (RGR) in the same way as it is currently done in IACS forms. The alternative way is by using "Land Capability for Agriculture" (LCA) which has been designed by the Hutton Institute. There are a number of issues identified with the alternative system including the poor mapping nature of LCA with a bias to the east and south. It is also seen too broad a classification, not picking up on land improvements undergone by crofters over generations. This option is seen as having a very negative effect on the crofting counties payments.

Question 1: The Scottish Government (SG) proposes that Payment Regions should be based on historical land type designations. Do you agree?

Answer: Yes

Number of Payment Regions

The consultation proposes two payment regions with arable, temporary grass and permanent grass being one region, and the other being rough grazing. This is the preferred by the SCF. However, other options may be available – such as a single payment region or three payment regions. A single payment region would see a flat rate no matter what type of land and three regions may see lower payment rates for the RGR. This may divert money away from the crofting areas.

Question 2: The SG proposes that having two payment regions will allow sufficient account to be taken as regards to the difference between lands of differing quality without causing undue complexity. Do you agree?

Answer: Yes

Question 3: The SG proposes that region 1 should be arable, temporary and permanent grassland and Region two should be rough grazing. Do you agree?

Answer: Yes

Question 4: Please rank your top 3 options for future payment regions in order of preference (1 high priority)

Answer: 1 – a) two regions based on land type;

2 – e) single payment region.

Regional Budgets

This refers to the land type regions rather than geographical regions and how much money per ha should be allocated to each region. The SG is proposing an average payment rate of 20-25 €/ha for rough grazing (region 2) and 200-250 €/ha for region 1. These figures include any greening payment and young farmers top up which are explained later. The reasoning for this is to ensure that extensive producers are appropriately rewarded whilst not over-compensating very extensive producers. The Scottish Crofting Federation, along with many other believes that there should be a higher rate for RGR, proposing 30-35 €/ha.

Question 5: The SG believes that the final rate from rough grazings (including the greening payment) should be between 20-25 €/ha.

Answer: c) support a higher rate since any rate under this level would undercompensate smaller active mixed farms.

Transition to area-based payments (internal convergence)

All BP's will eventually be paid on an area basis, however the transition between the current historic system and the new area based system can be implemented in different ways for different reasons. The SG sets out three options for this which are: introducing a flat rate from day 1; phase in the area based system which would be completed by 2019; or using an approach known as the "Irish tunnel" which means that the values of entitlements change but some will never reach the regional average for the area. The SCF would like to see an immediate transfer, or as soon as possible if it is not immediate. If the transition is prolonged, undeserving farmers will continue to receive large sums of money when more deserving units continue to lose out. It is also important to put measures in place to stop slipper farming.

Question 6: How quickly should we move to average payment rates in a region?

Answer: a) Flat rate from day 1

Question 7: How would you prioritise the factors to be taken into account in deciding how to move to an area based system? (1=first priority)

Consensus:

1 – d) Avoid undue delays to those seeking fairer payments

2 – a) Simplicity

3 – b) Clear and accurate forecasts of future payments to each farmer

Minimum Threshold

The current minimum size for eligible land is set at 3ha however the EU allows the minimum to be 1ha. Many crofts have shares in a common grazing and so are usually above the 3ha minimum, however there are some crofts which do not have access to grazings and so may be excluded.

Question 9: The SG proposes to keep the minimum threshold at the present level, so that control of at least 3 ha of eligible land would be needed to claim future direct payments. Do you agree?

Answer: b) Disagree because the minimum threshold should be 1 ha.

Active Farming Test – Negative List

A negative list has been set which includes airports, railways, waterworks, real estate, permanent sporting and recreational grounds. The SG can add more, but with additional work.

Question 10: The SG is not minded to add any further business types to the negative list. Do you agree?

Answer: Yes

Active Farming Test – minimum activity

In the future payments will only be made to active farmers with a minimum activity level. This has been brought in to stop 'slipper farmers' who have land which is naturally in good agricultural and environmental condition (GAEC). This is a particular issue for Scotland as large amounts of land is naturally in GAEC, because of wild deer grazing or slow growing plant species. An option for the active farmer test is a minimum stocking density; however the difficulty is setting it at the correct level. Too high some extensive, active crofters could be excluded but too low, slipper farmers may still benefit.

The SG is proposing setting it at a level of 0.05LU/ha (about 1 sheep per 3 ha). There are concerns about how this could affect common grazings in environmentally sensitive areas. The SCF are proposing that under the derogations system that 'traditional stocking density' should also be allowed and that there needs to be a robust appeal system in place for stocking densities under this level.

Question 11: Do you agree with the above mentioned stocking density?

Answer: a) Agree that a stocking density rate of around 0.05LU/ha (with derogations) should be required under the active farmer requirement.

Question 12: If a minimum stocking density is not used, should we instead require a demonstration of activity through plans to ensure a structured herd etc.

Answer: Yes

Question 13: What should we be aiming for when considering an appropriate minimum activity requirement? Rank 1- High

Answer: 1 - e) Appropriate procedures for environmental sensitive land
2 – a) Stop slipper farming even if this imposes burdens on active farmers
3 – d) Workable and easy to understand rules for farmers

Question 14: Comment box on the minimum activity requirement (200 word max)

Digressivity and Capping

This is a mandatory reduction of a minimum of 5% on any BP over 150,000 Euro; however it can be applied in different ways. For example the reductions may not be applied to greening or young farmer top-ups. There are options for additional digressivity and capping. The SCF believe that there should be greater digressivity and also capping.

Question 17: Which of the following options for digressive reductions do you prefer?

Answer: d) Apply the mandatory 5% digressivity plus additional reduction of 25% when a business' Basic Payments are greater than 300,000 Euros plus a total cap on Basic Payments of 500,000 Euros.

Section 2 - Greening and cross-compliance

The EU is encouraging greener types of farming practices and so a significant part of Pillar 1 will be used for greening payments. 30% of each member states direct payment must be used for a greening payment.

It is generally accepted that crofts meet these requirements automatically and so there are a number of questions which are not so relevant for members to respond to. However, how the method of calculating and applying the payment rate is a key factor for crofters.

Greening payment options

The Scottish Government propose to regionalise greening payments based on land type. This means that the payment rate in the rough grazing region would be lower than the arable and grassland region. The SCF would prefer to see greening be paid on a basis of the activity undertaken which would mean that a regional basis this could benefit crofters. The most preferable option from those given would be for greening to be paid on a flat rate

Question 20: The SG thinks that the greening payments should be regionalised and paid on an area basis. Do you agree?

Answer: b) Disagree because should pay Greening payment as a flat rate across Scotland.

Section 3 - Other Direct Payments

These are other payments, some of which are mandatory and some are optional. This section includes the National Reserve and the Young Farmer top ups which are mandatory as well as optional Voluntary Coupled Support and the Small Farmer Scheme, both of which are discussed below.

Voluntary Coupled Support (VCS)

This can be used to support sectors or regions where specific types of activity undergo difficulties; however it cannot be used to increase livestock numbers or cropped areas. The consultation currently sets out a proposal for a beef support scheme which will pay 3x the rate for 1-10 calves, 2x the rate for 11-50 calves and 1x the rate for over 50. This payment is currently only available to 75%+ beef genetics; however there is a proposal to reduce it to 50%+ beef genetics with dairy. Currently there is uncertainty about the level of VCS as there is the possibility of an additional 5% being allocated by Westminster. The consultation does not reflect this current state and so the briefing relates only to the questions in the consultation; but notes where additional options may be available.

Question 42: What level of VCS should go to the beef scheme?

Answer: e) 8% (max amount)

Question 43: Do you agree with the outlined rates?

Answer: b) No should increase front loading so that small produces (1-10 calves) benefit more.

Question 44: Should any VCS allow payments on beef calves from dairy cows with 50%+ beef genetics?

Answer: c) No because it would complicate the market and devalue the 'Scotch beef' brand.

VCS is also considered for the sheep sector, however there are concerns in the consultation about how this could be done without a statutory database in place (a BCMS equivalent).

Since the consultation was written, the opportunity for using more than 8% of the Scottish ceiling for VCS has more of a possibility. This makes responding to the next two questions difficult. The SCF believe that **IF** more than 8% of the Scottish ceiling used we would like to see the additional support shared between the beef and hill sheep sectors. Any additional VCS will have a knock on effect on the overall Basic Payment Rate. To balance this reduction out we believe it is vital that any beef support is front loaded to the first 1-10 calves. While there is no direct question to the above points we suggest using Question 56 which can be used for additional comments on the final package.

Question 45: Do you agree that we should not consider coupled support for lambs until there is a statutory database in place that identifies individual animals?

Answer:

Question 46: If a coupled support scheme for sheep was to be introduced what proportion of VCS funding should be used?

Answer:

Question 47: Should we explore with the other UK regions whether it could be possible to use more than 8% of the Scottish ceiling for VCS?

Answer: Yes

Optional Redistributive Payments

This is an optional top-up for small units. The current proposal sets out the option of topping up farms 30ha or 54ha (the average farm size in Scotland). The SCF provisionally agree on the principal of this scheme, however it needs clarification. Particularly looking at how the top-up would work and the make-up of crofts (permanent grassland to rough grazing). If the proportion is high enough there could be a benefit to crofters.

Question 48: Should Scotland use this option?

Answer: Yes

Optional Small Farmers Scheme

This is an option scheme which, if Scotland chose to include, would only be available to units less than 5ha. The intention is that it removes the regulatory burden on smaller units. However if the unit applies for LFASS under Pillar 2 then they have to comply with these regulations anyway.

Question 50: The SG does not propose to introduce this scheme. Do you agree?

Answer: Yes

Mandatory National Reserve

Question 52: In Year 1, the Scottish Government proposes to use the National Reserve to help existing new entrants from Day 1. Do you agree?

Answer: a) Yes

Question 53: The Scottish Government intends to ensure that future new entrants are able to access the National Reserve for entitlements and may use the option to perform further top slices to ensure there are adequate funds for this purpose. Do you agree?

Answer: a) Yes

Section 4 – Proposed Final Package

This section brings together the various options outlined above as they will have an impact on one another.

Question 54: Please score the following aspects of the proposed package for Basic Payments (1= Strong agreement that feature should be in final package, 2 = Agreement, 3 = Weak agreement and 4 = Disagree that feature should be in final package).

Answer:

- a) Two Payment Regions based on land type (Region 1 = arable (including temporary grass) and permanent grass and Region 2 = rough grazing); **1**
- b) Regional budgets set to give a Basic Payment plus Greening payment combined rate in rough grazing Region 2 of €20-25/ha (any VCS would be in addition to this) and the combined Basic Payment and Greening rate in arable/permanent grassland Region 1 of €200-250/ha; **4**
- c) Area based payments phased in by 2019 using standard internal convergence mechanism; **4**
- d) Minimum activity requirement of around 0.05LU/ha with derogations; **2**
- e) National reserve used for force majeure and new entrants; **1**
- f) 8% VCS to 75+% beef sector; **2**
- g) Young Farmer Payments made on basis of 25% of average entitlement value; **3**
- h) No Small Farmer Scheme; **2**
- i) No Pillar 1 ANC payments; **1**

Question 55: Please score the following possible aspects of the future package (1= Strong agreement that feature should be in final package, 2 = Agreement, 3 = Weak agreement and 4= Disagree that feature should be in final package).

Answer:

- a) Regionalised redistributive payments across Scotland; **1**
- b) Greening comprising Europe's 3 standard Greening measures; **4**
- c) Greening comprising equivalence options;

Question 56: Final comment box for comments on proposed package as a whole (500 words maximum).

Answer:

Link to consultations: <http://www.scotland.gov.uk/Publications/2013/12/5922>

Link to response page: https://consult.scotland.gov.uk/cap-reform-and-crop-policy/cap-direct-payments/consult_view