WHAT CAN SRDP DO FOR CROFTING AND SMALL UNITS?
Background

This report is produced to provide relevant information to the Scottish Government on the issues for crofting in the context of Scottish Rural Development Programme (SRDP) development 2014-20 and to present recommendations for a future SRDP. Stakeholders involved in discussing and/or compiling this paper were: The Crofting Commission; with input from Scottish Crofting Federation; National Farmers Union Scotland (Crofting Committee); Scottish Natural Heritage; Royal Society for the Protection of Birds; HIE; Scottish Landed Estates; and the European Forum on Nature Conservation and Pastoralism.

Executive Summary

The decision in 2003 by the European Union to decouple CAP support from production has had a detrimental impact on agricultural activity and a decline in the agricultural contribution to the economy in peripheral, often fragile areas of Scotland.

The key singular message being conveyed is the public benefit which crofting has the potential to deliver in terms of agricultural, social, economic, environmental, and landscape measures, with potential to also enhance tourism, housing, carbon reduction and cultural measures. In recent years, various studies have suggested that crofting faces serious issues, with declining use of both inbye and common grazings land, evidenced by a reduction in livestock and a historic reduction in cropping. At the same time, crofting has seen a very low uptake of SRDP funding, despite the fact that the programme had specific measures to benefit crofting and small units.

Various studies indicate that crofters demonstrate a desire to continue crofting, even when the economic returns are poor or negligible; however there is less appetite to continue crofting when the activity actually costs the crofter. Additionally, at a socio-economic level, many of the areas where crofting takes place are designated as fragile due to multiple deprivation. Many of the most remote areas are seeing a significant decline in the primary industries of agriculture, fishing and forestry, as well as significant population loss or migration towards larger centres, and unsustainable demographic changes.

It appears that with comparatively low levels of support, crofters are willing to continue delivering the public benefits which crofting brings. However, without targeted, easy to access and relevant support, the indications are that crofting will continue to decline, with a concomitant loss of skills and infrastructure, making it more difficult for crofting to recover in the future. The loss of active crofting through a failure to provide targeted support would result in a significant loss of public benefit.

The report addresses the why there is a need for a programme for crofting and the how in making recommendations.
Why is there a need for a targeted programme for Crofting/Small units?

In addressing the why this is itemised in the following sections;

1. Baseline statistics
2. Crofting decline
3. Crofting Access to SRDP 2007-2013
4. Crofting and the environment
5. The socio–economic impact of crofting in fragile areas

1. CROFTING BASELINE STATISTICS

The distribution of agricultural area in Scotland is highly skewed, with a relatively small number of very large holdings accounting for a high proportion of area. There were 4,503 holdings (9% of the total) which were 200 hectares and over in size, accounting for 4.26 million hectares of area (76% of the total). Conversely, there were 26,728 holdings (51% of the total) which were less than 10 hectares in size, accounting for 90,602 hectares of area (1.6% of the total)\(^1\). In the context of Crofting there are 18,027 crofts occupied, which have an average extent of 5ha\(^2\). There are 1050 common grazings, comprising 538,000 ha, which represents 10% of the farmland in Scotland\(^3\).

The following highlights the extent to which small units - crofts and small holdings - are concentrated in the peripheral areas of the North West of Scotland.

The geographic distribution and number of holdings by extent (in hectares), Scotland\(^4\)

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\(^1\) A National Statistics Publication for Scotland, 2011: Economic Report on Scottish Agriculture

\(^2\) Crofting Commission


\(^4\) Economic Report on Scottish Agriculture 2011
2. CROFTING IN DECLINE

The Common Agricultural Programme
In June 2003, the Council of Agricultural Ministers agreed to decouple EU direct farm payments from production, and introduce the Single Payment Scheme. It was noted at the time that a number of member states had raised concerns that the decoupling of CAP support might result in the “abandonment of production, the lack of raw material supply for processing industries, or to social and environmental problems in areas with few economic alternatives.”

Decline in Livestock
A number of authoritative studies in recent years have recorded significant decline in livestock numbers in the crofting areas of Scotland. *Farming's Retreat from the Hills* noted that the decline of ewes in the HIE area was more than twice the Scottish average, while some of the most peripheral areas, such as the Western Isles have seen on average a 32% decline, with as much as a 35-60% decline in sheep numbers in some parishes. The decline in cattle numbers has been less severe, however Skye & Lochalsh, Lochaber, Ross & Cromarty and Badenoch & Strathspey have seen a 11.4% reduction.

The report further noted that while agriculturalists in Grampian and the Uplands can generate a gross margin of £6.02 per blackface sheep, the additional inputs required through peripherality (distance from markets; additional feed costs; poorer weather; smaller economies of scale) resulted in a negative gross margin of - £7.56 in the North West Highlands. However, a number of studies indicate that government and council policy have exacerbated peripherality through centralisation of infrastructure such as abattoirs and procurement. This has resulted in increased cost of inputs and reduced access to markets for the crofting areas.

Decline in Cropping
A study of the Trotternish area of North Skye found that active use of crofts had reduced by 43% over a 40 year period, with the largest reductions between 1970-1980, and 1999-2008.

![Graph showing the number of crofts in use in Trotternish from 1970 to 2008.](image)

*No of crofts in use in Trotternish (Agricultural Census 2010)*

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5 European Commission, 2008
7 SAC Rural Policy Centre, 2008; Farming’s Retreat from the Hills
8 Parsons, G, 2011 North West Scotland and Western Norway, A Comparative Study, MPhil Thesis, Aberdeen University
9 Parsons, G, 2011 North West Scotland and Western Norway, A Comparative Study, MPhil Thesis, Aberdeen University
The study also recorded the impact of the removal of the Marginal Cropping Grant in the crofting areas in 1986, which resulted in a significant reduction in traditional cropping in Trotternish. Additionally, the study noted that respondents linked the loss of the cropping grant with a reduction in cattle keeping as a result of the increased costs of buying in feeding.

A reduction in cropping over the period of 1989-2000 was found in the study Crofting in the 21st Century where the area of land on 43 crofts being used for crops reduced from 45% in 1989 to 24% in 2000 and for temporary grass, reduced from 29% in 1989 to 19% in 2000.

Decline in communal management of grazings

There are 1050 common grazings. Common grazings were traditionally managed by a common grazings committee, however the number of grazing committees in office has been declining over recent years, dropping from 853 in 2003 to 518 in 2012. Anecdotally, there is a causal link between the decline in the number of committees and the reduction in the number of people using the common grazings for livestock grazing, as there is no longer any incentive to have a committee. It appears that the loss of livestock is therefore having the effect of eroding shared management of a common asset.

3. CROFTING/SMALL UNIT ACCESS TO SRDP 2007-2013

There are eight delivery measures in the SRDP. In the context of crofting the main measures are;

- Rural Development Contracts - Land Manager Options (RDC-LMO)
- Rural Development Contracts - Rural Priorities (RDC-RP)
- Crofting Counties Agricultural Grant Scheme (CCAGS)
- Less Favoured Area Support Scheme (LFASS)

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10 Parsons, G. 2011 North West Scotland and Western Norway, A Comparative Study, MPhil Thesis, Aberdeen University
11 SAC, 2001: Crofting in the 21st Century: A Study for SEERAD
12 Crofting Commission 2012
3.1 Rural Development Contracts – Rural Priorities

This section addresses the issues and makes recommendations for CCAGS and RDC- RP measures. These two delivery measures have their positives and negatives with regards to support access and benefits for crofting and small units.

The LMO scheme has the non-competitive, simple access elements of a delivery measure but is also coupled with options that in the main are not relevant to crofting and small units, thus reducing or removing the ability of crofting and small units to take part in the scheme. Additionally small units are extremely disadvantaged by the capping of allowance on the area they can claim, because of their small extent.

Alternatively the RDC-RP scheme provides a variety of options, but the competitive elements of the scheme, and the more complex application and approval processes is often too much for small units to contemplate making an application. While a larger unit has the ability to employ a consultant, or to devote their own time to preparing an application, a crofter or small holder is often working their land on a part time or very part time basis and often at low or very low levels of profitability.

Currently in RDC-RP there are two options specifically designed for small units. Additionally in RRDC-RP a small unit is defined as an extent of <20 ha in-bye, excluding apportionments.

- Conservation management plan with special measures
- Grazing management of cattle (keeping or introducing options)

The total number of approved application cases to the end of March 2012 for these two options were:

<table>
<thead>
<tr>
<th>Option Description</th>
<th>Cases with options</th>
<th>Approved Funding (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grazing Management of cattle (Retention)</td>
<td>158</td>
<td>1,441,156</td>
</tr>
<tr>
<td>Grazing Management of cattle (introduction)</td>
<td>169</td>
<td>2,547,246</td>
</tr>
<tr>
<td>Conservation management for small units (Individual)</td>
<td>350</td>
<td>812,340</td>
</tr>
<tr>
<td>Conservation management for small units (collective)</td>
<td>61</td>
<td>144,258</td>
</tr>
</tbody>
</table>

Please note when interpreting the above data the requirements for the grazing Management of Cattle option additional requires a Conservation Management plan with Special Measures.

Additionally, it should be noted that it is not possible to determine how many of the successful applicants were crofters as differentiation between crofting and non-crofting holdings is not recorded in the SRDP statistics.

Therefore, there were 327 approved cattle options applications and 411 conservation plans, of which 158 were linked with the retention of cattle option and 169 linked with the

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13 SRDP website, 2012
introduction of cattle option. Given that a conservation plan is a requirement for the cattle options this leaves 84 stand-alone successful conservation plan applications. When this uptake is compared to the actual number of 26,728 (of which 18,027 are crofts) of eligible applicants of under 10 ha holdings across Scotland it becomes clear there is an issue.

Similarly, a study of common grazing uptake of Land Managers Options looked at a sample of 214 common grazings\textsuperscript{14}. This study established that Common Grazings uptake of LMOs and Rural Priorities in the sample group was:

<table>
<thead>
<tr>
<th>Common Grazings Uptake of LMOs and Rural Priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>LMO</td>
</tr>
<tr>
<td>Rural Priorities</td>
</tr>
<tr>
<td>4.8%</td>
</tr>
<tr>
<td>5.6%</td>
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</tbody>
</table>

Based on the total approved number of application cases since the start of SRDP compared with the potential number of small holding applicants, it is evident that, as currently designed, Small Units options are not delivering the intended outcomes for crofting and small units.

3.2 Uptake of CCAGS

This scheme provides grant support for capital items and initial grass land improvement works. The scheme has seen a marked reduction in usage by eligible applicants, with the value of approved applications in 2009-2010 representing only 26% of the level of grants approved three years earlier, in 2006-2007.

<table>
<thead>
<tr>
<th>Year</th>
<th>Financial value (£ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>05/06</td>
<td>3.007</td>
</tr>
<tr>
<td>06/07</td>
<td>4.287</td>
</tr>
<tr>
<td>07/08</td>
<td>1.990</td>
</tr>
<tr>
<td>08/09</td>
<td>2.308</td>
</tr>
<tr>
<td>09/10</td>
<td>1.130</td>
</tr>
</tbody>
</table>

The under-usage of the scheme is attributed to a number of factors identified as follows;

- All works proposals require competitive quotes
- Grant paid on actual costs only
- Reduction in grant rates
- Loss of replacement fencing grant
- Loss of rotational reseeding grant

\textsuperscript{14} Jones, G. 2012: A n attempt at an \textit{ex post} evaluation of agri-environment support for crofting in the 2007-13 SRDP. European Forum on Nature Conservation and Pastoralism

\textsuperscript{15} Data source: Scottish Crofting Federation
It should also be considered that the reduction in applications may be linked to the general decline in active crofting, and in the difficulty in generating income from crofting activities, which results in a reluctance to invest in capital projects.
4. CROFTING AND THE ENVIRONMENT

Natural Heritage

A large part of the natural heritage in Scotland is found near or on areas associated with crofting land-use. A significant percentage of the designated sites area lies within crofting counties - for example almost 70% of the land designated as National Nature Reserves (NNRs) and more than 60% of the land designated as SSSIs in Scotland is localised in the Crofting Counties, which are two key designations. This compares with the overall proportion of area designated at Scotland level (2% of land area for NNRs) and 13% for Sites of Special Scientific Interest (SSSIs).

Key habitats and species of conservation value are present in the crofting counties and rely on crofting activity. These include habitats such as machair and moorland, and bird species such as corn bunting, twite and corncrake, which traditional crofting management has contributed to maintain. About 2/3 of the worldwide machair are found in Scotland. Active management related to small-scale and extensive practices in decline supports these environmental benefits.

Crofting activity has also a strong association with High Nature Value Farmland (HNVF). For example Highland NUTS2 region is estimated as having one the highest levels of HNVF area at EU level. A 40% of Utilisable Agricultural Area (UAA) has been estimated as HNV in Scotland (2009), with the highest levels in the North and West, overlapping with much of the Crofting Counties area.

Common grazings account for 20% of HNV, and have a higher rate of designation percentage than other parts of Scotland, and in particular of being designated under the Natura 2000 network. It is therefore crucial to develop measures for their management.

*Paragraph supplied by SNH

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16 About 68% of land designated as NNRs falls within the Crofting Counties. The proportion of land designated as SSSI within the Crofting Counties reaches 64%. This is a high proportion compared with the 1.60% of land area for NNRs and 13% of land area for SSSIs for all Scotland. There is also a high proportion of area designated as NSAs (55%) SPAs (52%), less with SACs (12%).


18 Highland region (NUTS2) estimated as having one of the highest likelihood presence of HNV at EU level (Very High (76-100%) and High (51-75%). Updated High Nature Value Farmland in Europe, European Environment Agency (April 2012 version)

19 The highest share of HNV estimated in the Western Isles (75%), Argyll (64%), Northern Isles (51%) and Highland (47%). See P. 13 Developing High Nature Value Farming and Forestry Indicators for the Scotland Rural Development Programme. Report of the Technical Working Group on High Nature Value Farming and Forestry Indicators (2011).

20 Jones, G. Trends in Common Grazings, first steps towards an integrated needs-based strategy, 2011.

21 Analysis by Jones (ibid at page 34) concludes that Site of Special Scientific Interest (SSSI) designation is 20% more likely on common grazing than the Scottish average, designation as an Special Area of Conservation (SAC) under the Habitats Directive (92/43/EEC) roughly 60% more likely and designation as a Special Protection Area (SPA) under the Birds Directive (79/409/EEC) 91% more likely.
THE SOCIO-ECONOMIC AND ENVIRONMENTAL IMPACT OF CROFTING IN FRAGILE AREAS

Population and demographics

Scotland’s 18,027 crofts are occupied by 10,000-12,000 crofting households and home to 33,000 people. There is a strong correlation between the crofting counties and the areas of Scotland which have been assessed by HIE as being fragile areas, as a result of multiple deprivation. Two geographic areas with a concentration of crofts - the Western Isles and Shetland - are experiencing significant population loss and demographic changes. The Western Isles has seen a 10% population decline over the last census decade of 1991-2000 and the projections for 2004-2024 predict a 15% decline in population, a 31% decline in 0-15 year age group, a 53% decline in 15-24 years and by 2024 that 40% of the population will be over 60. The population decline in Shetland is less severe, at 4%, however both Shetland and the Western Isles are seeing migration within their areas, with people moving from the peripheral, crofting areas to the bigger settlements of Lerwick and Stornoway.

Tourism and Culture

Studies have established the importance to crofting of tourism to boost croft income, as well as identifying the contribution crofting makes to tourism, through management of the natural environment and cultural landscapes and provision of tourism accommodation and activities through croft diversification. Crofting is also strongly associated with richness of culture, (particularly music, song and place-names) and local language and dialect, particularly the Gaelic language.

Carbon Storage

The area of common grazings land has been identified as providing significant carbon storage. A study by the MacAulay Institute established that 49% of common grazing land is on peat soil; that 15% of the peat area of Scotland is under common grazings and that 30% of the peat over 2m deep in Scotland is under common grazings.

Economy

Up to the mid-20th century, a croft was capable of providing a significant proportion of a household’s income, through subsistence food production and direct selling to local markets. Three recent studies have attempted to establish the household income which derives from crofting, with suggested figures ranging from 4% to 20%. The SAC report 21st

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22 Crofting Commission Report 2011
23 HIE: Fragile Areas Assessment
24 Hall Aitken: 2007; Western Isles Migration Studies Report; Shetland Migration Studies Report
28 Parsons, 2011 North West Scotland and Western Norway, A Comparative Study, MPhil Thesis, Aberdeen University
Century Crofting: A Report for SEERAD, conducted in 2000 looked at 43 crofts over 1989-1999 and found that in 1998 over 50% recorded negative incomes, while in 1999, as a result of increased livestock prices, 30% recorded negative incomes. While these figures are over 10 years out of date, it is important to note in the context of this paper that respondents:

...indicated considerable reluctance to consider giving up agricultural activity on the croft, but most indicated they could not sustain it if it was actively costing them money on a continuing basis.

Additionally, most respondents:

...indicated their willingness to adjust their crofting activities to the aims of specific policies, given appropriate incentives.

Studies also found that the decline in crofting and agricultural activity is having a knock-on effect on a range of other economic activities, such as the supply-chain infrastructure, and made the important point that:

...small changes in remote rural areas can have significant consequences.²⁹

²⁹ SNH: An analysis of the Impact on the Natural Heritage of the Decline in Hill Farming in Scotland, 2011; Royal Society of Edinburgh: Committee of Inquiry into the Future of Scotland’s Hills and Islands, 2008; SAC Rural Policy Centre, 2008; Farming’s Retreat from the Hills
RECOMMENDATIONS

This report opened with the title page question ‘What Can SRDP Do For Crofting’. The answer to this is ‘What Can Crofting Do For SRDP’. In this context crofting delivers against the rural development priorities of SRDP. However, the key to delivery is in the mechanism of delivery and this report make recommendations in this area for consideration and implementation.

The following two recommendations are made;

- An enhanced Crofting Counties Agricultural Grant Scheme (CCAGS)
- Programme for Crofting and Small Units

The following details what these recommendations are in terms of an enhanced CCAGS and the design of a delivery Programme for crofting and small units.

CROFTING COUNTIES AGRICULTURAL SCHEME (CCAGS)

1. Rename scheme to CROFTING SUPPORT PROGRAMME.
2. Retain existing scheme grant rates LFA 50% & NLFA 40%.
3. Retain existing scheme eligible items and operations.
4. Retain 10% grant enhancement for under 40yrs old applicant.
5. Reintroduction of standard costs.
6. 10% grant enhancement for New Entrants (over 40yrs old) for works identified in a 5yr plan of improvements.
7. 10% grant enhancement for capital works on common grazings to reflect the collaboration of the shared land asset.
8. Reintroduction of grant assignation to contractor in the case of common grazings.
9. Programme for on-croft small-scale renewables (non FiTS); the competitive nature of the current SRDP scheme has made it difficult for crofters to access.
RURAL LAND MANAGEMENT PROGRAMME FOR CROFTING AND SMALL UNITS

Further work is needed on the detail of these options, however, broadly, the option should include: The application process would be non-competitive, but with a ring-fenced budget for the programme, and consists of two components;

1. Land cultivation and maintenance options with associated capital works.

2. Whole Township Plan.

Programme eligibility criteria are as follows;

- A small unit is defined as a unit of 20ha of in-bye land occupied by your business. In the context of crofts this includes apportionments but excludes the grazing share. Furthermore a small unit is classified as extensive in land use activity defined at a stocking level density.

- Common grazing land is defined as land jointly shared with an elected grazing committee in office and an approved set of grazings regulations by the Crofting Commission.

1. LAND CULTIVATION AND MAINTENANCE OPTIONS

Introduction

This is a suite of targeted land cultivation and maintenance options for small units and common grazings implemented and managed over a 5-year period. Associated capital works with these options will be supported on a standard cost basis. The majority of these options already exist in Rural Priorities or in legacy agri–environment schemes. Therefore this proposal is not rewriting the script but refining the delivery.

Option selection criteria and term

The two menu schemes will have a selection of voluntary options for small units and common grazings. An individual applicant/grazings committee would select a minimum of 2 options.

Rate of support

The payment rates will be an annual flat rate for the 2 options selected over the scheme period of 5 years. Additionally there is a minimum eligibility area for a land management option and minimum animal number criteria for that specific option. Associated capital works to be completed at the end of the first year to an approved industry standard and paid on a standard cost rate.
Small Units Land Cultivation and Maintenance Options

- Land Cultivation and Maintenance Management Plan (template)
- Grassland Management
  - Species rich grassland management
  - Open grazed or wet grassland grazing for wildlife
  - Forage conservation management (late cut and in bird friendly method)
- Environmental grazing
  - Introduction of breeding cattle (2 minimum)
  - Retention of breeding cattle (2 minimum)
- Rotational cropping traditional to geographical area for cultural landscape retention
- Management of water courses

Common Grazings Land Cultivation and Maintenance Options

- Common Grazings Moorland Management Plan including support for the collaborative facilitation cost of establishment of a grazings committee and plan.
- Designated Site land management activity options
- Carbon capture and storage land management including the restoration peat lands
- Moorland Activity Management
  - Muirburn
  - Away wintering
  - Bracken control
  - Environment cattle grazing

*Please note the Cultivation and Maintenance options prescriptions are to be further developed on acceptance of the programme.

2. WHOLE TOWNSHIP PLAN

Introduction

This scheme is for crofting communities to review and baseline the current land cultivation and maintenance activities in the township, to provide support for developing a 5-year plan for enhancing activity, from traditional methods to alternative land use. Additionally the plan process will;

- Identify opportunities for new entrants into crofting
- Identify and provide start-up for collaborative opportunities in all aspects of land management traditional and alternative activity.
Qualifying criteria

The review and plan would be conducted by a specialist advisor or by a community member with the appropriate skill set. There would be an initial prior approval application for the review followed by a detailed content requirement and timeline for review to be completed.

Rate of support

The review/plan is supported to a percentage of the actual cost and capped to a max grant support level.

ADDITIONAL AREAS OF CAP REFORM TO BE CONSIDERED

LFASS

It is welcome that the Area of Natural Constraint Working Group is working to the principle that areas with greatest constraints will get the higher payments through LFASS.

Young Farmers

The provisions under Articles 8 and 20 for Young Farmers provide an opportunity to develop a new programme to incentivise young croft entrants. This is particularly important within the context of the demographic of crofters (over 55) and the stark demographic projections with regard to loss of young people and an ageing population in the most peripheral areas of the crofting counties, such as the Western Isles.

In 1992 the Crofters Commission, Individual Local Authorities and LEC support started a Croft Entrant Scheme. The scheme closed in 2008 and by then was fully funded by HIE and the Crofters Commission. The scheme was then known as Highland and Islands Croft Entrant Scheme. From 1992 -2008 this scheme assisted 594 new entrants into crofts.

Recommendation

Implementation of Articles 8 and 20 for Young Farmers

RURAL PRIORITIES DELIVERY METHOD.

The idea of a £100K threshold was considered too high for small unit applications, resulting in small units being disadvantaged by having to compete with larger scale operations.

Recommendations

Implement a three stage threshold:

- Less than £20k (non-competitive)
- £20k - £50k (some competition)
- £50k - £100k (fast track route as proposed)

SMALL-SCALE CAPITAL INVESTMENT FOR SMALL HOLDINGS

Additionally, NFUS wishes to see a programme of small-scale capital investment available to small-holdings to replace the loss of ability to apply to CCAGS, however there was not consensus for this from the group.

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Data provided by Joe Kerr and Arthur MacDonald, Crofting Commission, 2012