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To : MSPs
From : NFU Scotland, Scottish Beef Association,
National Sheep Association Scotland, Scottish
Tenant Farmers' Association, Scottish Crofting
Federation, Scottish Land and Estates

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SCOTTISH AGRICULTURAL STAKEHOLDER BRIEFING: SECURING THE BUDGET FOR LESS FAVOURED AREA SUPPORT

- This briefing has been issued jointly on behalf of NFU Scotland, the Scottish Tenant Farmers' Association, Scottish Beef Association, National Sheep Association Scotland, Scottish Tenant Farmers' Association, Scottish Crofting Federation and Scottish Land and Estates ('the stakeholders') as the representative bodies of farmers and crofters in receipt of Less Favoured Area (LFA) support.
- More than 85 per cent of Scotland's land mass is designated as being 'disadvantaged', with Scotland's LFA stretching across the four corners of Scotland.
- The current Less Favoured Area Support Scheme (LFASS) delivered under Pillar 2 of the CAP is a vital strand of rural development support in Scotland.
- £65 million a year is paid out by Scottish Government to approximately 11,000 claimants of the current LFASS, with extremely low transaction costs.
- LFASS is, in relative terms, non-bureaucratic for both administrators and participants and represents a very cost-effective means of delivering rural development support over a wider area that results in multiple benefits.

- The intentions of LFASS are to allow farmers and crofters to continue to operate as viable businesses; avoid the risk of land abandonment; help maintain the countryside by ensuring continued agricultural land use; and maintain and promote sustainable farming systems.
- Active land management undertaken on Scotland's farms and crofts are the mainstay of most rural communities and economies. LFA farming and crofting suffers from, amongst other factors, lower productivity and fewer opportunities for diversification. LFA support is essential to ensuring continued viability of these businesses, by off-setting the real costs of farming in disadvantaged areas and thereby enabling the delivery of a host of non-market, rural development benefits. The often-cited example of public goods provision from LFA agriculture is an example of government intervention to correct market failure and inequalities.
- Vitally, LFA support provides the driver for much of Scotland's livestock industry, with the entire red meat supply chain and industry depending heavily on animals from LFAs.
- This delivery would be seriously threatened in the face of any cut to LFA support. For these reasons, the stakeholders are of the view that LFA support is the single most important element of rural development support in Scotland.

Work to date

1. European Regulation (EU) No 1305/2013¹ ('the Regulation'), requires that member states move to a designation of Areas of Natural Constraint (ANC) based on a set of common EU criteria. Modelling in Scotland indicated that the region designated as ANC would increase under new objective criteria, therefore redistributing farm support and cutting funding.
2. The Regulation also sets out that for those Member States that do not move to an ANC scheme, governments must pay no more than 80 per cent of the average LFA payment for the period of 2007-2013, for the first year of a 'parachute' (which following the adoption of the 'Omnibus Regulation' in 2017, is now 2019).

¹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:347:0487:0548:EN:PDF>

3. This means that LFASS applicants will receive a parachute payment for the 2019 claim year (paid in 2020) that is 80 per cent of their normal payment rate. The Regulation also defined that in the second year of the parachute (claim year 2020, paid in 2021) must be 20 per cent. However, the European Commission has since recognised that such a reduction would be too big a step and is amending this to 40% (see Annex 1).
4. As stakeholders, we have worked extensively with Scottish Government and the European Commission to highlight the cliff-edge faced by farmers and crofters in LFA if there is any cut to their support delivered via the LFASS budget.
5. Any cut to LFASS funding in either 2019 or 2020 would be wholly unacceptable to us. Therefore, we welcome that Scottish Government has stated its ambition to keep payment rates at 100% of the £65 million budget through the 2019 and 2020 claim years. However, this is an ambition, and not a solid commitment. In order to keep payment rates at 100%, a political will must be found domestically to fund the additional £13 million (20% cut) in the 2019 claim year; and the additional £39 million (60% cut) in the 2020 claim year.
6. **We ask for the support of cross-party MSPs in achieving this ambition.**

Making the case for LFA support

7. The implications of a reduction of LFA support in the 2019 and 2020 claim years would be wide-reaching. It is our collective position that any reduction of LFA support would be an epic unintended consequence of overarching Regulation which could have a brutal impact on hard-working families and communities in rural Scotland.
8. The 'value' of LFA support has risen sharply in recent years, but not in purely monetary terms, as farming and crofting have faced increasing physical and financial pressures. The possibility of a cut to LFA support is hitting LFA farmers and crofters following an extremely difficult 18 months. Due to devastating weather patterns, farming businesses have lost breeding animals which are crucial to their ability to produce viable stock. Meanwhile, straw and feed costs have increased by between 50 and 100 per cent. All of this additional cost has a very real impact on the viability of farming and crofting businesses.

9. A survey of NFUS members in Scotland's LFA in November 2018 bore the following results:
 - a. An overwhelming 95% of respondents stated that their business would become unviable without direct LFA support
 - b. 47% of respondents stated they would not continue farming and crofting in five years' time without direct LFA support, with an additional 16% casting doubt on their future
 - c. 42% of farmers and crofters were certain that redundancies would be required if there was no targeted LFA support.
10. This would reverse the intentions of LFA support as outlined in the opening paragraphs of this briefing.
11. Farmers and crofters in Scotland's LFA are the backbone of communities the length and breadth of the country, providing continuity to professional and traditional husbandry skills. Businesses in receipt of LFA support provide local employment, maintain a rich environment and contribute to our society in ways which statistics truly do not convey.
12. The individuals who run these farms and crofts fill Scotland's local village halls, organise community events, provide infrastructure for those who want to visit Scotland's hills and glens, and maintain a habitat for wildlife.
13. Without LFA support, young people who want to succeed in hill farming will be forced to consider their options. Hefted sheep flocks which have maintained the same location for generations will be lost. Depopulation will impact on local infrastructure, challenging the viability of schools, shops, post offices and other essential services.
14. **Our urgent priority is to gather political support for Scottish Government retaining 100% of the £65 million budget can be delivered through claim years 2019 and 2020 of the LFASS.**
15. **It is also important that the case for supporting our less favoured areas is recognised as industry and Scottish Government consider their joint objectives for a new Scottish Agricultural Policy after Brexit.**

Annex 1 – Progression of policy decisions relating to the amount of current £65 million LFASS budget to be paid as per Regulation

Date that policy decisions progressed	Scheme years			Reason
	2018 (paid 2019)	2019 (paid 2020)	2020 (paid 2021)	
Up to Dec 2018	100%	80%	20%	As per terms of original Regulation
Dec 2018	100%	80%	40%	In recognition of severity of an 80% cut in 2020, European Commission proposes amendment to Regulation to revise cut in second year of parachute to 40%
10 Jan 2019	100%	80%	80%	Scottish Government set out ' absolute commitment ' to Scottish Parliament to keep payment rates at at least 80% ² - by topping up the European 40% with an additional 40% of domestic money
18 January 2019	100%	100%	100%	Scottish Government set out intention to Scottish Parliament's Rural Economy Committee and NFU Scotland Less Favoured Area Committee to keep payment rates at 100% ³ , which would mean topping up the European 40% with an additional 60% of domestic money

² <https://www.gov.scot/news/less-favoured-areas-scheme-1/>

³ <http://www.parliament.scot/parliamentarybusiness/report.aspx?r=11897&i=107556>