

RURAL AFFAIRS AND ENVIRONMENT COMMITTEE
THE FUTURE OF AGRICULTURAL SUPPORT IN SCOTLAND
WRITTEN SUBMISSION FROM CONFOR

Introduction

ConFor welcomes the opportunity on behalf of its membership to submit its views to the Scottish Parliament's Rural Affairs and Environment Committee (RAE) for their forthcoming short snap-shot inquiry into the future of agricultural support in Scotland.

ConFor is a members' organisation, funded by and accountable to businesses in the forest industries. Our aim is to promote the market for wood, forest products and forest services, and to help improve the industry's competitiveness.

ConFor's remit covers all parts of the industry supply chain, from nurseries through to woodland owners, timber growers, contractors, harvesters, hauliers, sawmills and other processors. ConFor provides the industry with a strong voice in the market place and in all levels of government - international, UK and national.

Through its membership, ConFor represents the majority of managed woodland in non-state hands in Scotland – i.e. in the region of 10% of the land.

General comments

The Scottish Government is committed through its Scottish Forestry Strategy to increase woodland cover in Scotland from its present level of about 17% to 25% by the middle of this century. However, ConFor has made the case for a more focused short term objective of planting 1.5% of land with forests by 2020 in order to protect forestry jobs and help deliver Government's 2020 climate change targets. ConFor and NFUS have recently written together to Government explaining how this could be achieved.

There is inevitably going to be pressure on land – for forestry, for agriculture, for renewable energy, as well as for sporting and conservation purposes. For these reasons:

- It is inappropriate to consider “agricultural support” in isolation

Questions from the RAE

What should the direction of travel be for the future of agricultural support in Scotland?

- Support a market orientated use of land that optimises production from our best quality land – i.e. on Grade 1, 2 and 3.1 land
- Recognise that support for land of poorer quality than this cannot be justified on farming grounds alone, and is essentially funding for a social and environmental agenda to keep less favoured areas managed and populated and that this need not be just for agriculture
- Ensure that support for Scotland has quite different needs from south of the border due to our high percentage of less favoured area

- Any purely agricultural support should be exclusively related to land area / productivity potential, and tied to that land, not able to be traded or divorced from it.

Are the recommendations made by the Pack inquiry appropriate and achievable?

- No – many are, but not all
- Dismissing eligibility of woodland from Pillar 1 direct / area payments undermines attempts to encourage the most appropriate and cost-efficient use of land. Either it should be eligible or action must be taken through other means to ensure that farmers are given choices
- It is wrong to attempt to move LFASS as is from Pillar 2 to Pillar 1. LFASS may contribute to lessen the inevitable financial loss of any livestock rearing enterprise in the less favoured area – as a social or environmental “top-up” – but it cannot be classed with true Pillar 1 support.
- Pack’s reference to “land abandonment” distracts from the key issue. Farmers will discontinue land / livestock management systems that do not add up financially, even when public funding is being provided to encourage them to continue. CAP Pillar 1 funding is becoming less about agriculture and more about the social agenda. Herein lies the basic flaw of the present CAP regime, yet Pack attempts to perpetuate the fallacy. Farmers need to be offered choices and appropriate solutions
- Achievability? Anything is achievable if you throw enough determination and financial resource at it, but the Pack package, particularly for the LFA, is so complicated that it will probably require one civil servant per “agricultural” holding to administer, and a corresponding farmer’s agent to complete the inevitable paperwork. Scotland cannot, and should not afford such bureaucracy and red tape.

Does the Committee agree with maintaining the two pillar system for delivery, targeting direct payments at more active farms and dividing support for land into different packages for LFA and non-LFA areas?

- We agree in principle with this concept of a two pillar system, albeit solely from the pragmatic point of view that forestry, being excluded from the Treaty of Rome, will be unlikely to receive Pillar 1 support, and is thus dependent on Pillar 2 for its funding. If more EU member states shared the UK’s desire for more woodland cover, and greater outputs from our existing forests and woodlands, then our views on this would probably be different.
- A different support regime for non-LFA and LFA areas is appropriate for the reasons stated above

What should the priorities be for a reformed CAP in Europe post 2013?

- Contribute to feed the world, but only in the context of affordability of each member state, and its peculiar regions, to do this
- Sustainable economic growth in rural areas that contributes to an appropriate low carbon economy in each member state
- Ensure that support regimes do not mitigate against flexibility of land use – this means a secure identifiable and robust level of rural development funding (including forestry).

What should the Scottish Government's key negotiating points be in seeking to influence the UK Government, other EU member states and the European institutions?

- CAP has proved to be good value for money, despite its many shortcomings – its general level within the EU budget should be maintained. [cf. Pack A & B]
- Increase Scotland's share of Pillar 2 funding for rural development (assuming this is the continued funding stream for forestry). [cf. Pack C second point]
- Pillars 1 & 2 should be covered by the same regulation so that the present anomalies on payment regimes are removed
- The penalty systems should be reviewed to ensure greater proportionality. [cf. Pack K]
- The underlying definition of LFA support (or High Nature Value support for farming / forestry) must be revisited so that member states can interpret these according to their own circumstances, and accordingly allow wider land use – i.e. fibre crop production, not just grazing for livestock.

How many of the Pack report conclusions and recommendations can be taken forward as part of CAP reform?

ConFor's response to this must be read in conjunction with our caveat in General Comments above that "agricultural support" cannot be looked at in isolation. Upon this basis, we have the following response:

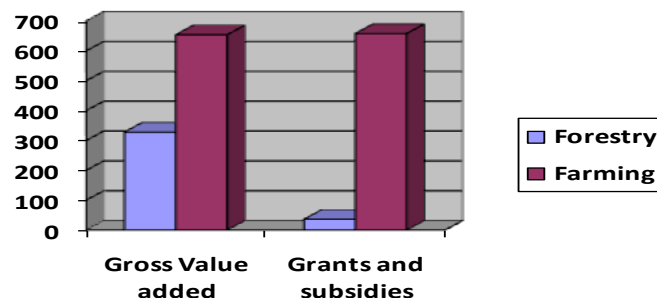
- We agree with Pack Negotiating Points:
 - A, B, C (second point, but not necessarily the first)
 - D, E, F, G (in principle, but not the final [third] sentence)
 - J (on basis that forestry / new woodland creation is classed as "an approved environmental scheme")
 - K (second point, but not the first)
 - O
 - R (except final point on Pillar 1 funds)
- We disagree with:
 - I
 - M – the objectives of the two pillars should remain distinct
 - N
- We agree with Pack Recommendations:
 - 1 (we agree with the potential, but query the deliverability)
 - 2, 3
 - 17 – but is this aspiration realistic given the complexities of all the Pack recommendations?
- We disagree with:
 - 4 (headage payments simply perpetuate the problems of today)
 - 5 (on the basis the Pack excludes land growing a crop of fibre, though we agree with the concept of minimum stocking rates, if such can be accomplished without incumbent bureaucracy)
 - 6 (on the basis on complexity viz. SLUs and affordability / bureaucracy, etc)
 - 8 & 9 (this is not going to give value for money, and will create a further complexity, with concomitant costs for applicant and regulator alike)
 - 16 (strongly disagree with this use of agricultural funds)

- 18 – unless some intermediary support system is introduced. LMOs are generally not suitable for forest holdings, and unless annual entitlements are given substantial uplift, and / or entitlements can be rolled up for several years (cf. McRobbie recommendations) this will be of little use to the forestry sector. Those habitually applying for agri-environment schemes have made it clear that targeted Rural Priority style support is more effective in delivering outcomes.
- 21 – data reporting is no inadequate from SRDP to date, that no firm conclusions should be drawn from apparent results. In the event of reduced Pillar 2 funding that would potentially affect money to support forestry, then priority should be given to supporting creation of productive coniferous woodland, through new woodland creation and through restructuring.

Final Comments

ConFor makes no apology for reiterating previous comments to the RAE:

- Forestry is a vital industry in Scotland, delivering better value for (public) money than farming:



- Future agricultural support must not divert the nation's resources away from supporting this hugely successful sector of the rural industries, intentionally or through unintended consequences.
- ConFor is calling for an urgent focus on delivering:
 - 9,000 ha of new productive softwoods, each year to 2020;
 - This will increase the area under forest by less than 1.5%.
- Failure to do this will threaten hundreds of green jobs and miss a major opportunity to create hundreds more, as well as locking up 3.6 million tonnes of CO2 – please refer to our recent publication “Scottish forestry at the crossroads” at <http://www.confor.org.uk/NewsAndEvents/Default.aspx?pid=305&id=0>

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January 2011

Annex

Extract from “The road ahead for Scotland”

Final Report of the Inquiry into future support for agriculture in Scotland

The Inquiry's Negotiating Points:

A. The shifts in the CAP over the coming years must fully recognise the nature and extent of the global challenges that agriculture is being asked to address (page 27).

B. Agriculture has a pivotal role in tackling the global challenges, and the CAP budget must be adequate for this purpose (page 28).

C. On the basis of equity, although the UK budget would be unlikely to change significantly, Scotland should receive a larger share of the future UK Pillar 1 (Single Farm Payment Scheme) budget. The UK should argue for an increased share of the EU Pillar 2 (rural development) budget which in turn would lead to an increase for Scotland (page 35).

D. The current CAP structure of two Pillars should be maintained (page 65).

E. The direct payments budget should be maintained at its current level, but Pillar 1 payments must more clearly deliver public benefits by delivering against the global challenges (page 68).

F. The introduction of a cap on individual business payments should be resisted on the basis that it would be at odds with the justification for the payments. If a cap was introduced it would prove ineffective as those businesses likely to be affected would be split into multiple businesses. Any attempt to prevent new business could have serious repercussions on genuine new entrants (page 69).

G. It is essential that future EU regulations recognise that eligibility criteria are required to assess land qualifying for direct payments. These criteria should be decided on an objective basis by Member States. They should include, in the case of land stocked below the minimum, the ability to scale back to an area that achieves the minimum (page 74).

H. The concept of allocating some direct subsidy payments to deliver public benefits - including the security of food, energy and water, tackling climate change and enhancing biodiversity - with payment levels (for the LFA only) based on the Standard Labour Requirements of a business is new to the EU . The European Commission and Parliament and the WTO need to fully understand and accept their rationale and purpose (page 76).

I. Given the extent of permanent pasture and rough grazing in Scotland, the importance of cattle and sheep production to the Scottish economy and the high risk of land abandonment, it is essential that Scotland's ceiling on coupled payments for the post-2013 period is 15% of total Scottish direct payments (page 77).

J. For Non- LFA land to qualify for area payments it has to support agricultural activity or be part of an approved environmental scheme (page 79).

K. Cross compliance, particularly GAEC , should not demand more of farmers than it currently does. The penalty system should be overhauled to ensure that it is proportionate (page 79).

L. The new EU regime post-2013 must allow Member States to create a National

The Inquiry's Recommendations:

1. A Top Up Fund, as suggested in the Interim Report, has the potential to be a central part of a new contract between farming and society (page 27).
2. The highest payments should go to the more active farmers. These are the individuals who have the greatest potential to deliver sustainable agriculture - and therefore sustainable economic growth - but who also face the greatest challenge in doing so have the greatest potential to deliver (page 69).
3. Future direct payments should be distributed in Scotland on the basis of distinguishing LFA and Non- LFA land. This means that payments can be more clearly targeted and thus are more easily justifiable (page 70).
4. LFA land should be supported by a combination of three mechanisms: area payments, Top Up Fund and headage payments (page 73).
5. Land eligible for direct payments is all land growing crops, land involved in an environmental scheme or land supporting livestock with a minimum stocking rate deciding the area eligible (page 74).
6. A proportion of Pillar 1 funding should be used to create a Top Up Fund to encourage transformational change: in short, a more sustainable agricultural industry which contributes towards tackling the global challenges. In the LFA this money should be allocated on the basis of the Standard Labour Requirements of a business (page 76).
7. An expert group should be established to work on the methodology to be applied for establishing the eligibility for the Top Up Fund. The over-riding principle must be that this is a positive process that farmers and land managers can fully engage with to the benefit of their business and wider society. It is envisaged that web based applications and industry self-policing will be part of the solution (page 76).
8. A more targeted SBCS should be established paying higher rates per head for smaller herds (under 40 cows) and even higher rates for very small herds (under 15 and under 5 cows). The graduated rates should be paid on calves over 30 days of age with 75% beef genetics but calves with 50% beef genetics should be eligible for the flat rate payment. The basic rate should be much higher than the current SBCS . The total annual budget for this scheme should be fixed at the outset (page 78).
9. A lamb headage scheme should be developed, with a flat rate payment on all lambs born on the holding of birth after 60 days of age. However, it is essential that such a scheme has integrity (i.e. that it only pays on lambs born in the eligible area and only once per head). If traceability has not advanced such that this integrity is guaranteed then a scheme should not be implemented. The total annual budget for this scheme should be fixed at the outset (page 78).
10. The Non- LFA region of Scotland should receive direct support on an area

basis with two thirds straight area payment and one third Top Up Fund. The Top Up Fund would be focused on developing a more sustainable agriculture as with the LFA Top Up Fund (page 79).

11. The Scottish Statutory Instrument that currently exempts breaches of GAEC that can in theory be rectified by the end of the following growing season should be reviewed in the light of experience (page 79).

12. The change from the current historic base for the SFPS to the Inquiry's approach outlined here should take place as soon as possible after the European negotiations are complete. This may mean that the existing system has to continue for one year with the new system adopted in one step thereafter (i.e. in 2014 at the earliest) (page 80).

13. If the change to a new regime is going to be a protracted process, all legal entities who started in business since 2003 and before 2010 and were not awarded entitlement should be allocated entitlement from the National Reserve, in order to provide parity. The National Reserve should be created by top slicing high per hectare value entitlements - possibly over €600 (page 81).

14. Mainly cropping farms (supported by previous years SAF and IACS) in the LFA should be given a one off opportunity to drop their LFA designation (page 84).

15. Further modelling work should be undertaken to look at possible behavioural changes resulting from the changes in support and profitability, and the knock on effects on land use and the environment. This work should include the impact of the proposed change to the LFASS (page 84).

16. A new Vulnerable Area, including all of the current Very Fragile Area and some of the Fragile Area, should be defined. Definition should be on the basis of bio-physical criteria such as: an exposed maritime climate; poor soils with high rainfall; high salinity; a predominance of small fragmented units; extreme remoteness; steep slopes and a high altitude; and a predominance of rugged land with very limited in-bye. This Vulnerable Area would receive an additional area payment from the special aid fund (i.e. the balance of the LFASS budget remaining in Pillar 2) (page 86).

17. The problems encountered in applying the SRDP should not limit future ambition and innovation. Rather they emphasise the necessity of having IT systems fit for purpose and available at the outset when implementing new schemes (page 89).

18. The future SRDP should have more emphasis on a broad and shallow approach to agri-environment schemes to ensure there is a much wider uptake (page 89).

19. The LEADER delivery mechanism should have a greater role to play in the future SRDP , but there must be clarity between the different delivery mechanisms

(page 89).

20. Financial and regulatory assistance should be provided to help strengthen producer organisations to ensure they become a more effective part of the supply chain and they are not overly hampered by competition rules (page 91).

21. In the event of a large budget reduction in Scotland's Pillar 2 funding:

- The results from the current mid term review and from the first stage review completed in early 2009 should be used to inform the targeting of funding to develop a more sustainable agricultural industry
- Priority should be given to funding for areas of specific natural handicap, that is the Vulnerable Area
- Priority needs to be outlined for the reduced funds to ensure that the good work done to date is not lost
- Funding for capital grants should incur fairly large cuts (page 97).

22. In the event of up to a 15% cut in Pillar 1 funding, the reductions should be spread evenly over all direct payments. If the cuts are greater than 15% but less than 30%, the Non- LFA support should be cut by up to 50%. If the Pillar 1 budget is cut by more than 30% then the Top Up Fund for the LFA will have to bear the balance of the cut (page 97).

