

REVIEW OF THE 'LESS FAVOURED AREA' SCHEME

PUBLIC CONSULTATION DOCUMENT FOR IMPACT ASSESSMENT

COMMENTS FROM THE HIGHLAND COUNCIL

1. The Highland Council welcomes the opportunity to feed into the review of the Less Favoured Area (LFA) scheme as we view this element of support as absolutely critical within the CAP framework in the marginal areas.
2. The LFA scheme has the potential to be the single most effective and targeted measure for delivering public goods, environmental gain and sustainable farming systems in the disadvantaged areas. In contrast the Single Farm Payment, underpinned by GAEC, is a blunt instrument and serves mainly to avoid damage rather than promote benefits, particularly in marginal areas where the historic basis of payments provides little stimulus for activity. The role of the LFA scheme in maintaining activity in these areas is therefore vital at this time as producers react to the impacts of decoupling.
3. We strongly agree that the LFA scheme requires to be re-focused so that it can better deliver the objectives of Axis 2 and the stated aims of improving the environment and the countryside by supporting sustainable land management.
4. **The impact of decoupling in the Highland area of Scotland has been sectoral failure in beef and sheep, with stock numbers falling dramatically in the region (see at annex 1).** While the Highland Council will argue strongly for measures to address this via the CAP Health-check we also look to the LFA scheme to provide targeted support to underpin activity and sustainable farming and crofting in these marginal and remote areas. The threat of land abandonment in these areas is very real.
5. **To achieve this will require a significant change of approach in terms of the eligibility criteria and distribution of LFA payments.** The beneficiaries must be those at the greatest natural disadvantage and where fragile extensive farming systems are under threat. We therefore recommend implementation of option 3 'Eligibility Criteria' which we consider offers the best mechanisms to target support where it is most needed and justified in terms of delivering the Axis 2 objectives.

Options appraisal

We consider that options 1 and 2 do not go far enough in terms of addressing the concerns with the operation of the present scheme. In particular we see an urgent need to halt the rapid and accelerating decline in livestock numbers in the region and feel this could not be delivered via the first two options.

Option 4 the HNV model goes some way to better targeting of the funds but we consider some further work on the definition and delineation of HNV areas at a local level is required before this option can be fully considered.

The Highland Council therefore favours the '**Eligibility Criteria**' (Option 3) approach but merged with 'High Nature Value' ethos (Option 4) as the second step in area designation. This would allow for a broad delimited area based on natural disadvantage, much as operates in Scotland at present, but crucially allows a second step in delimitation to include only areas where the natural handicaps continue to affect agriculture. The farming systems in these areas will be extensive and *broadly* meet with HNV definitions contributing the most to sustainable land management. We would recommend that 'Mountains and Islands' along with 'Remoteness' are added to the table of bio-physical indicators of natural disadvantage.

The eligibility rules under this option would be designed to ensure that the payments actually deliver at farm level in terms of public goods and sustainable farming practices. This would be achieved through measures such as minimum and maximum stocking rates appropriate to the region and linked to land management. These would be eligibility thresholds and not linked to payment rates. This could include measures for a mix of stock where clear environmental benefits would accrue.

At the minimum stocking rate this would underpin a certain level of agricultural activity required to deliver the public goods in terms of biodiversity and landscape for example. This base level of activity is crucial in certain marginal areas of the Highlands of Scotland where land abandonment and the cessation of agricultural activity is a growing concern. Setting a maximum level of stocking will serve to exclude the more intensive units where natural handicaps have been overcome and farming systems are less fragile.

Questions posed in Review paper

- Q *What do you believe are the threats posed to the continuation of farming systems in areas with natural handicaps for agriculture and what could be done to address these threats?*

The main threat is that agricultural activity in these areas will fall to a level below the critical mass needed to sustain farming systems and the associated infrastructure such as hauliers, marts, slaughter houses and feed suppliers in these areas. This will lead to a decline in the economic, environmental and social health of these areas. A better targeted LFA scheme to maintain sustainable farming systems in the most disadvantaged areas will help support active land management and allow producers an opportunity to stay in business and compete for markets.

- Q *Are the options analysed consistent with the objectives of the review?*

Yes apart from option 1 which does not address the need for better targeting.

- Q *What difficulties would the options analysed be likely to encounter if they were implemented?*

In Scotland the core data required to implement our preferred model 'Eligibility Criteria' is available though some further analyses of the extensive HNV type areas would be required.

- Q *What would be the most significant impact of the options analysed? What is your assessment of the advantages and disadvantages of the options analysed?*

The 'Status Quo+' and 'Common Criteria' do not go far enough in terms of the refocusing and better targeting required of an effective LFA scheme. The risk is therefore continuing decline of agricultural activity in the most disadvantaged areas. The HNV option is too restrictive and simplistic. The main impact of our preferred model 'Eligibility Criteria' would be significant redistribution and flattening of LFA payments in 'favour' of the most disadvantaged and marginal farming systems, supporting sustainable land management in these areas.

Q *In your view, are the biophysical criteria listed in Table 1 sufficient to describe the natural handicaps for the agricultural activity in the EU?*

No. 'Mountains and Islands' should be added as should 'Remoteness' as biophysical criteria.

Q *What is in your opinion the most appropriate level for measuring a natural handicap for agriculture (region, commune, etc...)?*

Region i.e. Scotland

Q *Which criteria are in your view the most appropriate for assessing whether a natural handicap has been overcome?*

The ratio of rough grazing/hill to in-bye/arable land on a unit combined with stocking rates as against the mean for the area, will give a good measure as to whether a unit remains disadvantaged within an LFA area.

Q *Are there other problems linked to the functioning of the LFA policy mechanism, apart from those set out here, that the analysis should try to evaluate? What are they? Can you illustrate them?*

In the preferred option of 'Eligibility Criteria' care must be taken to avoid the LFA scheme becoming wholly an agri-environment measure and overlapping with other

SRDP measures. The focus should not be on constraints and conditions but on supporting sustainable farming systems in the most disadvantaged areas with levels of activity that optimise public goods.

Q *Are there factors not taken into account or elements of uncertainty which could influence significantly the impact of the options analysed? If so, what are they? What would be their influence?*

The delineation of HNV areas at a local level requires more work to fully consider option 4 and the impact of this option.

Livestock Figures in the Highland Region 2007 provisional June census results update (Figures from SGRPID)

1. Breeding ewes

	2001	2002	2003	2004	2005	2006	2007	Annual % change 2001-2004	Annual % change 2004-2006	% change 2006/07
Shetland	176,863	164,464	160,620	158,578	147,978	138,290	133,493	-3.45%	-6.40%	-3.59
Orkney	57,198	55,488	57,363	56,178	58,209	52,846	49,297	-0.59%	-2.97%	-7.20
W Isles	130,308	124,531	121,247	113,259	108,357	98,392	91,408	-4.36%	-6.56%	-7.64
NW Highlands	112,849	107,730	103,928	100,235	99,354	90,114	84,372	-3.73%	-5.05%	-6.81
NE Highlands	95,503	90,330	89,320	88,487	88,582	83,989	80,334	-2.45%	-2.54%	-4.55
Skye, Lochalsh, Lochaber	227,574	218,179	207,716	201,147	193,671	178,122	164,588	-3.87%	-5.72%	-8.22
Moray										
Firth	103,926	96,163	93,420	91,806	91,148	87,781	87,176	-3.89%	-2.19%	-0.69
Argyll	281,035	274,519	269,867	262,293	252,201	241,908	225,580	-2.22%	-3.89%	-7.24
HIE	1,185,256	1,131,404	1,103,481	1,071,983	1,039,500	971,442	916,248	-3.19%	-4.69%	-6.02
Scotland	3,277,170	3,221,700	3,192,609	3,179,434	3,141,546	3,028,595	2,916,680	-0.99%	-2.37%	-3.84

Key points

- Immediately prior to decoupling ewe numbers were declining in the Highlands at around 3% per annum. Post decoupling 2004 to 2006 they declined by about 4% per annum, but in 2006/07 the decline rate increased to over 6% per annum. **We are seeing an acceleration of decline.**
- Most Highland sub-regions where decoupling has had the most negative impact in terms of active farming are actually declining faster e.g. Skye/Lochalsh/Lochaber at 8.22% and North West Highlands at 6.81% in 2006/07. It is these areas where a revised LFA scheme has the most vital role to play.
- Half the Scottish reduction in ewe numbers 2006/07 came from the Highlands.

2. Beef breeding cows

	2001	2002	2003	2004	2005	2006	2007	% change 2001-2004	% change 2004-2006	% change 2006/07
Total Beef Cows										
Shetland	1,987.00	2,044.00	2,022.00	2,001.00	2,111.00	2,038.00	1,934.00	0.23%	0.92%	-5.10
Orkney	28,539.00	28,541.00	28,486.00	28,938.00	28,362.00	28,096.00	27,259.00	0.47%	-1.45%	-2.98
W Isles	2,930.00	2,952.00	2,854.00	2,895.00	2,886.00	2,873.00	2,870.00	-0.40%	-0.38%	-0.10
NW Highlands	3,997.00	3,815.00	3,716.00	3,724.00	3,912.00	3,631.00	3,415.00	-2.28%	-1.25%	-5.95
NE Highlands	19,830.00	18,811.00	18,926.00	18,963.00	19,358.00	18,532.00	18,154.00	-1.46%	-1.14%	-2.04
Skye, Lochalsh, Lochaber	11,481.00	11,393.00	10,885.00	11,102.00	10,361.00	10,401.00	9,765.00	-1.10%	-3.16%	-6.11
Moray										
Firth	22,406.00	21,498.00	21,600.00	21,868.00	21,553.00	21,253.00	20,876.00	-0.80%	-1.41%	-1.77
Argyll	24,246.00	23,403.00	22,844.00	23,297.00	22,958.00	22,251.00	21,300.00	-1.30%	-2.24%	-4.27
HIE	115,416.00	112,457.00	111,333.00	112,788.00	111,501.00	109,075.00	105,573.00	-0.76%	-1.65%	-3.21
Scotland	489,074.00	488,789.00	487,133.00	492,873.00	492,319.00	487,194.00	471,610.00	0.26%	-0.58%	-3.20

Key Points

- In the pre-decoupling (2001-2004) and immediate post-decoupling (2004-2006) periods the rate of decline in cows is much lower than breeding ewes. But in 2006/07 the rate has increased sharply.
- Note the rapid decline well above the Highland average in NW Highlands, Shetland, Skye/Lochalsh/Lochaber. As with sheep it is in these areas where decoupling has resulted in the sharpest decline in stock numbers. A well targeted LFA scheme can be effective in encouraging activity and generating public goods as a result. Natural disadvantage is also greatest in these areas and extensive HNV farming and crofting systems dominate.