

## **The Highland Council**

### **Planning, Development and Infrastructure Committee**

Agenda Item	19
Report No	PDI 16/14

**14 May 2014**

### **Scottish Government Consultation on future CAP direct payments in Scotland from 2015**

#### **Report by Director of Development and Infrastructure**

#### **SUMMARY**

This report provides a summary of the Highland Council response to the recent Scottish government consultation on future Common Agriculture Policy direct payments from 2015. The consultation was discussed and the response agreed by a workshop attended by members of the Planning, Environment and Development Committee on 27<sup>th</sup> February. The closing date for responses was set at 28<sup>th</sup> March and the Council response has been submitted. A copy of the full response can be found on the Members bulletin. Committee is invited to:

- consider the key points of the Council response to the recent direct payments consultation; and
- homologate the response submitted on behalf of the Council.

## **1 Introduction and Background**

- 1.1 In autumn 2013 the European Commission published its draft proposals for the future Common Agricultural Policy (CAP) for the period 2014-2020. The Scottish Government then consulted on a range of possible options for implementation of the new regulations in Scotland and issued a formal consultation in December 2013.
- 1.2 These latest proposals from the Commission and consequently from Scottish Government set out a completely new framework for CAP direct payments and will have major consequences for farming and crofting businesses in Highland. Unfortunately with the new scheme due to start from 2015 there is still much uncertainty regarding some crucial elements of the new regulations, and in the period since the consultation closed in March there have been continuing high level negotiations between Scottish and UK Governments and the EU on key issues.
- 1.3 CAP direct payments are worth around £120M per annum to the Highlands and Islands and around £80M per annum in the Highlands.

## **2 The Highland Council response**

- 2.1 The following are the key points included within the Highland Council response to the recent direct payments consultation. The full response was submitted for the

28<sup>th</sup> March deadline. In all the consultation posed 56 questions about the future delivery and availability of direct payments for agriculture businesses. The following key points are included within the Council's response:

- Payment Regions

The two Regions model proposed comprises Arable and Permanent Grassland in one region and Rough Grazing in the second. The Council considers this approach the most pragmatic solution and that it should be adopted.

- Payment rates

The Council believes that at this point the sector should continue to fight for a higher basic payment on Rough Grazing of around €35/ha and press the Scottish Government to deliver on its promise to only support active producers. Having considered the NFU's suggestion of lower basic Rough Grazing rates with a coupled top-up for minimum activity levels, the Council considers it very risky at this time to concede to a low Rough Grazing rate when there is no guarantee of coupled top up.

- Degressivity

Degressivity, in effect a tax on higher payments, should be set at 5% mandatory above €150,000 payments, provided monies remain within Scotland.

- Convergence

Convergence should be a phased transition over 4 years to minimise impact on most active livestock producers.

- Stocking rate

A minimum of 0.05 livestock units per hectare with derogations is considered reasonable for the Highland area. Although the Council is aware of continuing debate about the legitimacy of such measures at the EU level, the Scottish Government should continue to seek their use as a cut off below which no payments would be made.

- Greening

A relatively small but significant number of spring barley producers in this area will be affected by the 3 crop rule, which would restrict mono-culture by requiring an additional two crops per annum. There might be some benefit by permitting 'Equivalent Practice' to allow off-setting using overwintered stubble for example.

- Voluntary Coupled Support (VCS)

Council believes VCS should be set at the maximum possible (8% minimum) and could be used to front-load the calf scheme for instance. This is a critical measure in areas such as Orkney, Caithness and Argyll. Again the Council is aware of ongoing discussions about an increased element of coupled support for Scotland (up to 13% potentially) which would allow for the possibility of an uplift to sheep producers for example.

- Coupled sheep payment

The Highland Council is initially minded to veto these payments because of previous problems encountered and the lack of an appropriate database, but

recognises there may be an argument for keeping these payments alive where they support hill flocks where the Rough Grazing rate is unsatisfactory and additional coupled support would assist.

- Pillar 1 Areas of Natural Constraint (ANC) transfer  
Highland Council suggests that the government retain the transfer option and put the mechanism in place as a way to support sectors or areas severely disadvantaged by the new payment structure. If this can be achieved the Council would recommend that the ANC transfer is not used until a new ANC scheme has been agreed.
- National Reserve and new entrants  
Highland Council fully supports the recommendations to offer immediate support to new entrants whenever they enter farming during the next CAP funding period.
- Redistributive payments  
Highland Council feels these are too complex and likely to be of only marginal benefit to a few businesses.
- Small Farmer Scheme  
Highland Council is not supportive of a small farmer scheme as it is only likely to be of minimal benefit and would exempt producers from other activity based support measures.

### **3 On-going discussions**

- 3.1 The key points above reflect the views of The Highland Council at the time of the direct payments consultation. However, much remains uncertain about the level of CAP direct payments, including minimum activity measures, availability of coupled support, rough grazing rates and payment regions. Indeed there may yet be new proposals presented by the Scottish Government. Given this uncertainty, Members will wish to note that the Council continues to engage the Scottish Government on this important topic via its membership of the Highlands and Islands Agricultural Support Group (HIASG).

### **4 Implications**

- 4.1 Resource  
There are no direct resource implications arising from this paper. CAP direct payments are an important support mechanism for the agriculture sector in the Highlands and the Council's engagement with the recent consultation seeks to ensure that the region receives the maximum benefit from CAP support measures during the new Programme period.
- 4.2 Legal, Equalities, Climate Change/Carbon Clever, Risk and Gaelic  
There are no direct legal, equalities, climate change, risk or Gaelic implications arising from this paper.

## **Recommendation**

Committee is invited to:

- consider the key points of the Council response to the recent Direct Payments consultation; and
- homologate the response submitted on behalf of the Council.

Designation: Director of Development and Infrastructure

Date: 28<sup>th</sup> April 2014

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### Background papers:

Various Council papers and consultation response on the reform of the Common Agriculture Policy and the allied support payment mechanisms 2012 – 2014.

Joint statements of the Highlands and Islands Agricultural Support Group 2013.