Written submission from the Scottish Tenant Farmers Association (STFA)

The Scottish Tenant Farmers Association (STFA) welcomes the opportunity to comment on the Scottish Government's proposals for reform of the CAP. At this stage we wish to only comment of certain aspects of the implementation of the CAP reform proposals.

Implementation of CAP Reform Proposals in Scotland

Activity Requirements – The Scottish Clause

It is vital to ensure that only active farmers can receive direct support under CAP. Scotland has around a million hectares of land which does not support any farming activity, and an effective Scottish Clause is required to prevent the dilution of payments made to genuine farmers.

STFA is supportive of the Scottish Government's initiatives to ensure a robust definition of "active farmer" and believes that a range of measures will be necessary put an end to "slipper farming".

The government's most recent proposal will require farmers to demonstrate activity by keeping livestock at an appropriate level linked to the carrying capacity of their land, or demonstrate significant active efforts every year to maintain agricultural land in good condition.

STFA would recommend that such a test should be supplemented by further criteria; firstly a requirement to show occupation of the land and proof of active farming in 2013; secondly the farmer must be taking the entrepreneurial risk of the farming activities on the holding, and thirdly they must be in control of the day to day management of the holding.

STFA is particularly concerned that landowners will seek to take land back in hand in order to gain ownership of entitlement to SFP. This should be discouraged by the use of the criteria above to ensure that SFP is only received by those who are farming the land themselves rather than renting land seasonally. This concern relates equally to contract farming arrangements where the "farmer" frequently shares very little risk with the contractor.

National Reserve

As a result of Scotland's current Pillar 1 payments being based on historic production levels, many new entrants who have entered farming since 2000 find themselves farming without Pillar 1 support payments.

Lack of support for new entrants is an iniquitous outcome of the historic based system and one which must be addressed at the earliest opportunity. A National Reserve should be established to support genuine new entrants and developing businesses and ensure that such holdings receive at least the average regional payment.

STFA supports proposals to ensure that new entrants receive fair support payments from the onset of the new regime and that the National Reserve be used to top up the initial value of the Basic payment allocated to existing new entrants with no or with low historic SFP. This should level the playing field from Day 1.

STFA also supports an ongoing National Reserve to ensure that future new entrants will continue to have access to SFP and there will be ongoing incentive to re-populate areas where land has been abandoned or de-stocking has taken place.

Regions and Budgets

STFA recognises that more payment regions within the area based system would deliver better targeting of funding, but appreciates the Scottish Government's desire for simplicity in implementing the new regime.

To maintain productivity, the higher area based payments should be directed at the more productive land where farms have higher costs of inputs and carry higher risks.

Given that Scotland has large areas supporting low or no production (classed as rough grazing), available Pillar 1 funds should be directed to support the smaller but more productive in bye area.

Rough Grazings

STFA agrees with the Scottish Government that historical land type designations would be the most appropriate basis for payment regions. However, the two region model is likely to cause significant anomalies, particularly in the Rough Grazing category where some payments will cause over compensation in land types where there is minimal activity.

Scotland's 3 million hectares of rough grazings supports hugely varying levels of production, and the proposed flat rate payment for this area is not appropriate. Under the flat rate payment, productive hill units might receive support of only £20 per ewe, while the very extensive units might receive £200 per ewe. The proposed flat rate over compensates the extensive farms while reducing support to the more productive hill farms.

A means to differentiate payments in this area must be explored to allow better targeting of funds by splitting the rough grazing area into at least two payment regions. Given limited Pillar 1 budgets, support payments in the rough grazings region must be targeted efficiently to prevent Scotland's more productive hill farms becoming decimated.

Transition

In Scotland the move to area payments will reduce support paid to holdings which support high levels of production. Many livestock producers will see support payments halved, and a transition period may afford the time needed to allow these producers to adjust their production systems.

It is difficult to determine how long the transition period should last; on the one hand, new entrants, developers, and producers with low entitlements need to be brought up to an average level as soon as possible, and on the other hand producers with historically high payments need time to adjust their businesses. At the end of the transition period, all producers within a region should be receiving the same payments.

Whatever the length of the transition period full payment must be made to new entrants immediately and a windfall tax should been introduced to prevent misappropriation of scarce funds.

Greening

30% of Pillar 1 support will be paid as a ‘greening’ payment on condition that the three greening measures are met which are (i) Crop Diversification and the 3 crop rule, (ii) maintenance of the permanent pasture area, and (iii) Ecological Focus Areas of at least 5% of arable land.

STFA believe that the 3 crop rule is not suitable for many Scottish arable farms where the focus is on spring sown malting barley production. The 3 crop rule is likely to force some farms to make changes to their crop rotations which will result in no environmental gains and a risk to the supply of Scottish malting barley.

As an alternative to the three greening requirements, the Scottish Government has the option to allow farmers to deliver their greening obligations through ‘equivalent practices’ which will yield an equal or better benefit to the environment.

Given that Scotland already supports a high proportion of overwintered stubbles resulting from the spring sown malting barley crop, a Scottish menu of ‘equivalent practices’ may be a better alternative to the 3 crop rule and EFAs

Capping / Digressivity

Traditional family farm sized holdings often deliver higher production outputs per hectare than the larger agribusinesses which are driven by economies of scale. Given the contributions these family farms make to supporting local communities, there is a good argument for the Scottish Government to introduce greater capping deductions than the minimum European requirement of 5% deduction from all amounts over 150,000 euros, excluding greening payments. STFA would support further reductions of 25% on payments over 300,000 euros and an absolute cap at 500,000 euros. However, in order to encourage employment the Government should consider allowing labour costs to be offset against SFP.

Voluntary Coupled Support, VCS

The proposed 8% coupled support should be directed at 75% beef calves at the proposed rates. Payments should not be made to 50% beef calves because that would dilute payments made to suckler herds which is where the support is needed.

VCS should not be used to support sheep production due to the impractical regulatory burden this would impose on hill flocks.

If VCS can be increased beyond 8%, then the increase should continue to be directed at 75% beef calves to provide a meaningful incentive to maintain suckler herds.

LFASS

Of the land-based SRDP schemes, LFASS has the highest budget and will be of great importance to producers in the LFA. It is vital that this non-competitive element is continued with an annual budget of approximately £65 million.

Scot Gov proposes to introduce a new designation called Areas facing Natural Constraints (ANC) to replace LFAs sometime between 2016 and 2018.

85% of Scotland’s farmland is in the LFA, and without LFASS most businesses in the LFA would become unviable. Therefore it is vital that support payments continue through the transition phase and that the new ANC area includes all the current LFA businesses.