

# **‘Turning the Tide’ The role of the new LFASS**

**Executive Summary of a conference held in Inverness  
30<sup>th</sup> October 2008**



## **Executive summary**

The current Scottish Government consultation on the future of Less Favoured Areas Support offers an opportunity to address the decline in agricultural activity, which is taking place at an unprecedented rate across much of the Highlands and Islands.

### **Agricultural reality**

- Sheep numbers in the area have declined dramatically since 2001 and have shown an accelerating decline since the introduction of the Single farm Payment and decoupling in 2003
- Cattle numbers, while showing a less dramatic fall in the period 2001 to 2005 are now also showing an accelerating decline
- Sheep and cattle numbers are declining at a significantly higher rate in the Highlands and Islands than in the rest of Scotland – some 70% of the total Scottish reduction in ewe numbers came from the Highlands and Islands.
- In terms of numbers the breeding flock in the Highlands and Islands continues to decline by some 60,000 ewes per annum and the suckler cow herd by around 3000 cows per annum
- Anecdotal evidence from this season's sales indicate there is no sign of the decline slowing
- Survival for those that remain in the industry in the very fragile areas is becoming increasingly difficult and any reversal increasingly unlikely as the 'tipping point' for agriculture is reached

### **Policy opportunity**

The Less Favoured Areas Support Scheme, although not the only policy tool available, is the most appropriate measure which can be deployed in the short to medium term to support extensive livestock-based systems in hill and upland areas.

The current interim scheme will operate until 2009. There are significant concerns over its effectiveness and targeting. Its distribution is heavily slanted towards the more favoured areas within the LFA boundary, while the areas with the greatest natural challenges are the areas where declines in activity are the most apparent. It has been criticised for maintaining only a weak link to agricultural activity and the delivery of any public goods. It creates anomalies, particularly in relation to the £20m 'cattle top-up' as a result of being based on historic data. New entrants, coming into agriculture since 2006, are not able to access the scheme.

The European Union is currently reviewing its classification of the so-called 'intermediate' LFA area, under which all Scottish LFA is currently classified. It is anticipated that revised criteria for this intermediate classification may not take effect until 2013.

Changes in the implementation of this measure in Scotland need not, and arguably cannot, wait for European legislative change. There are a number of options available for consideration.

The classification of all of Scotland's LFA under the intermediate category could be reviewed. It would be possible for areas in Scotland to be classified under the 'mountain areas' category and for islands and remote coastal areas to be classified under the 'specific handicaps' category, while other parts of the LFA remain in the 'intermediate' category. The benefits of classifying land under these other headings would have the effect of making these LFA areas more secure in the face of ongoing review of the criteria for the intermediate category.

Aside from the classification issue, there are other opportunities to explore, which may be affected before 2013. Not least of these is the approach suggested in the consultation document of basing a payment system on the Macaulay Land Capability for Agriculture classification. Issues which should be considered in any such move are the ways in which ongoing agricultural activity can be secured, how additional costs associated with peripherality can be recognised and the method of limiting overcompensation. Any hectare value applied to adjust hectares must be based on good scientific data. Consideration should be given to use of a cap or degressive mechanisms to avoid overcompensation of large empty hills. Higher levels of support should be received in areas of greater disadvantage.

Alternative proposals to adjust the current interim scheme are not supported as a solution. The creation of a second interim scheme, although remedying, at least in the short term, some of the identified defects of the current interim scheme, creates its own problems further down the line. A more significant change of direction is required to secure the future of agriculture in the hills, uplands, islands and remote mainland areas.

## The Message is Clear

The most recent data suggests an industry in general accelerating decline in the Highlands and islands. The even more recent anecdotal evidence from stake holders is that events in the field are running ahead of this statistical trend with reports from some areas that the tipping point for agricultural activity there has arrived. We advise that action is required:

- A **major** change in LFASS is needed now and cannot wait till 2013
- The Scottish Government should pursue immediately the potential for designation of areas in the Highlands and Islands as 'mountain areas' or areas of 'specific handicap'
- Eligibility to receive LFASS payment must be linked to continued meaningful agricultural activity on the unit
- Progression towards an area based payment, away from the historic model, should begin now
- High nature value farming systems must be recognized and rewarded



The conference was supported by the following organisations:

