



SRBPA

SCOTTISH RURAL PROPERTY AND BUSINESS ASSOCIATION

SRBPA RESPONSE TO THE 1ST PUBLIC CONSULTATION ON THE CAP 'HEALTH CHECK'

1. TAKING STOCK OF THE IMPLEMENTATION AND SYMPLIFYING THE SINGLE PAYMENT SCHEME:

1.1. Simplifying the Single Payment Scheme

With respect to which rules could the SPS be further simplified without negatively affecting the functioning of the system?

Further simplifications could be made by ending Set Aside and therefore removing the Set Aside entitlement. Further simplification could also be made to the 10 month rules.

Do you agree that Member States should be allowed to adjust their SPS model towards a more flat rate of support, at national or regional level?

We recognise that area based payments or Regional Average Payments (RAP) are more acceptable to society and possibly a less complex system to administer, and believe the a slow phase in before the 2013 CAP Reform would allow time for adjustment to the new system. We understand this measure will be a redistribution of funds within Member States and not between Member States.

Careful consideration has to be given to the implementation of the RAP which could allow new land previously not under the SPS to receive funding, this will dilute SPS monies.

What type of impacts would you expect with the introduction of flatter rates of support for farmers?

The introduction of a flatter rate of support will inevitably create winners and losers. The new system will not satisfy everyone but it is a reality of CAP Reform which requires greater public accountability.

1.2. Cross-Compliance:

What would be the potential outcome of maintaining the cross-compliance at its existing standards?

Firstly, we would like to say that the European Commission's commitment to move towards more simplified cross compliance is very welcome. As a relatively new concept, cross compliance is still going through the 'bedding in' period and therefore it is difficult to comment on the potential outcome of maintaining existing standards.

We are however concerned that Member States take different approaches to the implementation of cross compliance with some Member States going well beyond the requirements whereas other Member States may be slower to respond and stick to the basic standards required. 'Gold plating' adds administrative and cost burdens to farmers, and also imposes different standards across the EU giving those with less rigorous standards a competitive advantage.

What impacts do you see emerging with the possible addition/deletion of certain legal requirements or GAEC standards?

If we are to expect additional legal requirements or GAEC standards, this will place additional costs on land managers in terms of production thus placing land managers, especially those from Member States imposing 'gold plated' standards, at a significant disadvantage in the European and the international market. Land managers are currently under considerable economic pressures, additional legal requirements or GAEC standards could cause serious harm to the industry.

As consumers, on the whole, are not willing to pay for the standards they demand, then without financial support we are likely to experience a continued decline in EU production which will be replaced by products which are produced using lower environmental and animal health standards.

We believe that there should be a consistency of approach across the EU as well as a simplification of the system to prevent the industry from buckling under the pressure of regulation.

1.3. Partially coupled support

Should decoupling be applied in full extent to all sectors? Would there be specific impacts with this option?

If the tax payer wishes to retain a grazing sector on arable land in Scotland, this may need to be coupled. This would be possible through Article 69 or Rural Development measures. There are biodiversity benefits to retaining the grazing sector which are not present in the arable sector. This industry will further decline as the arable sector increases unless supported. Similar coupled support could be provided in the case of upland hill sheep and cattle.

Should decoupling be applied in full extension but negative impacts mitigated by alternative flanking measures? In this case, what kind of measures?

We believe that a case could be made for coupled support through Article 69 or Rural Development measures where agriculture provides public goods; social, economic, landscape or environmental but where the market fails.

Are there any sectors where targeted, partially coupled support should remain and which problems do you consider this support to mitigate?

As indicated above, we believe that there should be Article 69 or Rural Development measures could be used to target the grazing sector and sheep and beef producers in our most disadvantaged hills and uplands.

1.4. Upper and lower limits in support levels

How effective do you think capping will be in addressing the problem of the uneven distribution of payments between the farmers?

It has already been proposed that we introduce a flat rate system, or RAP which should address the fairness in the system. Why then is there a need to implement a further system which will further penalise farmers? The capping figures are arbitrary and no rationale has been provided as to why they have been set. Not only that, capping will be expensive to administer- perhaps more expensive than the return that the MS receives! There are two key reasons why capping should not go ahead, firstly, it may restrict the ability of farmers to comply with cross compliance and secondly, as large farms employ higher numbers of staff – capping may cause economic damage to these businesses. We do not believe that any firm rationale has been provided in favour of capping.

What would be in your opinion the advantages and disadvantages between the application of an absolute or progressive way in the introduction upper thresholds in payments?

SRPBA believe that we are still going through a period of adjustment from the 2003 CAP reforms. At this transitional phase of CAP Reform, we believe that capping is not necessary for the reasons outlined above.

The Scottish Agricultural College figures have identified that 3.8% of Scottish farmers would be affected by the upper limit being placed. This will result in a national saving of 2.3%. The saving is insignificant, but the impact on 3.8% of recipients could be considerable both in terms of their practices and Government administration costs for a proportionately small amount of money. SRPBA believe that this upper limit will result in large farms downsizing operations, a reduction in livestock and a loss of capability in upstream and downstream processes.

In the context that a large number of farmers receive significantly low amount of payments, in many cases even below the administrative costs, what potential impacts do you see in the option of adopting a minimum level in payments?

A minimum level of payment would make sense.

2.2. Cereals set-aside

Do you consider that abolition of set-aside in the current context of market and policy developments is appropriate?

Yes. SRPBA believe that set aside is no longer necessary in a decoupled payment policy. We acknowledge that there have been environmental gains from set aside but propose that these should be dealt with by adjustments to Pillar 2.

What measures do you consider appropriate in order to maintain environmental benefits associated with set-aside?

As above

2.3. Dairy Quota

In the light of new market opportunities, do you consider that the quota system is still fulfilling its stated objectives?

SRPBA believe that dairy quotas are no longer necessary in a decoupled payment policy.

2.4. Other measures of Supply Control

What would be in your opinion the implications from the application of decoupling in those sectors?

We anticipate that it would encourage a greater move toward competitiveness.

3. RESPONDING TO NEW CHALLENGES

3.1. Managing risk

Do you consider that currently available policy instruments provide adequate coverage to manage price risks? Do you see the need for additional measures you envisage, and if so which ones?

We need to seriously consider how we are going to address current and future risks both in relation to price and production. This type of volatility should be addressed at an EU level and not left to MS. UK has faced considerable problems with animal health disease which has resulted in the near collapse of the sheep sector and indeed the pig sector. Neither Pillar 1 nor Pillar 2 are adequate or flexible enough to address such risk. We are faced with very significant global issues which must be addressed on a EU level.

Do you consider that currently available policy instruments provide adequate coverage to manage weather-related or disease-related risks? Do you see the need for additional measures you envisage, and if so which ones?

Current arrangements are not adequate.

Do you see scope for the application of EU-wide measures to better address price and production related risks, or should such measures be applied more at the MS and regional level?

No comment at this stage.

3.2. Climate change, bio-energy, water management and biodiversity

Do you consider that existing instruments under both pillars of the CAP are sufficient to respond to these challenges?

No- we are facing new challenges such as energy production, water management and biodiversity. It is unclear what role CAP will play in these or whether other EU funds could be utilised to meet the new challenges.

If you consider that strengthening Rural Development instruments is needed, what would be your proposal in better addressing these new challenges?

It is our view that the new challenges will require considerably more, not less resources, and in many instances we will require guaranteed funding over a long period of time (20-30 years) if we are serious about addressing the global challenges which we are now facing. This is a difficult and complex issue which requires considerable thought.

3.3. Strengthening rural development

Do you think the proposed increase in modulation will help in achieving RD objectives, especially those linked to new challenges?

Scotland is already paying voluntary modulation which will rise to 9% by 2012. This is in addition to existing compulsory modulation of 5%. SRPBA firmly believe that any increase in Compulsory Modulation must be offset by a reduction in Voluntary Modulation. If both remain, by 2013 Scotland will have a Modulation rate of 20% compared to 13% across the rest of the EU.

Whether or not this modulated money will help in addressing the new challenges will depend on the uptake of the various packages. The complexity and bureaucracy of applying for money through Pillar 2 may put many applicants off. The long term objectives of both Pillar 1 and Pillar 2 needs to be considered to ensure that they meets future challenges.

How do you think the extra funds should be allocated to better respond to those new challenges?

SRPBA recognise that there is a need to shift funds from Pillar 1 to Pillar 2. This will help reward land managers for the provision of non market goods, and will encourage land based initiatives (in both agriculture and diversified businesses) as well as supporting cooperation and rural communities through social enterprise and related infrastructure measures. Pillar 2 should also be used to secure or even enhance a sound funding regime for the LFA and Natura 2000 designated areas.

In saying that, we believe there is a need to create a stability of funding which will allow land managers to continue producing especially following natural disasters whether they be disease, flood or storm. This could be achieved by retaining a Pillar 1 payment. Given the nature of future challenges, it may be possible to tap into other funding streams such as energy or transport which have not been open to land managers in the past and would provide an alternative source of funding. These options need to be explored thoroughly.

For further information please contact:

Dr Karen Smyth

Rural Development Manager
Scottish Rural Property & Business Association Limited
Stuart House, Eskmills, Musselburgh, EH21 7PB.
T: 0131 653 5400, F: 0131 653 5401, W: www.srpba.com