

THE TENANT FARMERS ASSOCIATION OF SCOTLAND LIMITED

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1st PUBLIC CONSULTATION ON THE CAP “HEALTH CHECK”

INTRODUCTION

The Tenant Farmers Association of Scotland Limited represents tenant farmers throughout Scotland. Its stated aim is to support and enhance the tenanted sector and in that role welcomes the opportunity to comment upon proposals for the CAP “Health Check”.

Scotland is unique in Europe in having a large regulated tenanted sector mainly held under secure heritable tenure. About a third of Scotland is tenanted, much of it in the fragile highlands and islands. Most of these tenanted holdings are small to medium size family units and, as such, vulnerable to the vagaries of the market place. Few are able to survive from agriculture without some form of targeted support.

The highlands of Scotland contain a vast area of minimal agricultural production. The last decade has seen a dramatic fall in livestock production with a consequential drop in an economically active population. This trend will in the long run have an adverse effect on the economic and social viability of these areas and a lack of land management of these areas will impact adversely on the environment.

The CAP health check should seek to encourage agricultural activity in these fragile areas through rural development measures and use of national envelopes. Proposed capping of support should not be on an arbitrary basis but linked to the public benefits achieved by individual businesses.

1. Simplifying the Single Payment Scheme

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

Seasonally rented land causes unnecessary complications to cross compliance responsibilities. The ten month rule should be simplified to take more account of the grazing season to which it relates and the occupier should clearly only be responsible for the GAEC during his occupation of the land. To prevent double claims on entitlement the claimant should be the occupier of the land on the claim date, i.e. 15th May.

The use of a single date for the calculation of the exchange rate is arbitrary and can result in unforeseen swings in currency value. A simpler and less risky calculation would be to establish the Euro rate on the basis of a monthly average.

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

We recognise that Member States may wish to have the flexibility to adjust their SPS model towards a flatter rate of payment as we move further away from the base years of 2000 – 2002. However, in Scotland where the historic payment basis is working well a flat rate of payment will not be appropriate without taking into account Scotland's unique situation where there are vast tracts of land on where there is at present minimal agricultural activity. A flatter rate, area based system would cause huge disruption to the support system.

(iii) What type of impact would you expect with the introduction of flatter rates of support for farmers?

As above; flatter rates of payments would lead to massive redistribution of support. If there is to be any move towards an area based scheme the value of SFP received must take into account the economic benefits delivered and must be linked to agricultural activity.

2. Cross Compliance

(i) What would be the potential outcome of maintaining the cross compliance at its existing standards?

Existing cross compliance standards and associated penalties create a climate of fear amongst farmers which affects every operation undertaken. We are concerned that with the introduction of greater regulation – water directives, soil conservation, nitrate directives, pesticide and nutrient management and so on – cross compliance standards will become more complex and penalties more punitive.

We are also concerned that there are wide variations in the different ways that member states interpret and implement cross compliance rules and that as regulation becomes more complex so interpretation and implementation will become more varied creating competitive advantages and disadvantages amongst the member states.

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

The addition of legal requirements of GAEC standards will inevitably place a greater burden on individual farmers both financially and in terms of increased bureaucracy. It also will be contrary to the stated aim of the Commission of simplification of the SPS.

3. Partially decoupled support

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

Decoupling in Scotland has been successful in providing incentives for farmers to become more market conscious, but the livestock sectors have been facing falling net farm incomes, especially in the more fragile areas. This trend has been exacerbated by recent disease outbreaks. There is now a real danger that hill farmers may be forced out of production leading towards desertification of hill areas. Targeted direct support for sheep and cattle production, for instance through the use of national envelopes has the potential to encourage the agricultural activity essential for the economic, social and environmental well-being of Scotland's highlands and islands and payment of the Single Farm Payment should be conditional on agricultural activity. This may well provide opportunities for new entrants to agriculture to get a start.

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

The natural climatic, geographical and topographical features of Scotland's highlands and islands disadvantage livestock producers in competing with more favoured areas in Europe. Stock production in these areas will always be marginal and require a measure of support. Direct support of beef cattle and sheep alongside robust Rural Development measures could be linked to a minimum stocking density requirement to mitigate any negative impacts.

(iii) Are there any sectors where targeted, partial decoupled support should remain and which problems do you consider this support to mitigate?

Sheep and cattle should attract targeted partial decoupled support. This would help to offset the recent trend to cease livestock production in the less favoured areas of Scotland.

4. Upper and lower limits in support levels

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

Capping will not address the uneven distribution of payments between farmers which have arisen as a consequence of the SPS being historically based. Capping does have the potential to provide financial resources for the redistribution of financial support to areas in most need; for example in establishing a national reserve for new entrants into agriculture. Capping should not, however be arbitrary, but should be based on the public benefits provided by the farming business, for instance it could be linked to labour units. Measures should be put in place to prevent the establishment of separate businesses to avoid capping.

(ii) 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?

The application of an absolute way in the introduction of upper thresholds has the disadvantage of being arbitrary. Upper thresholds should be introduced progressively based on national criteria according to average national payments.

(iii) In the context that a large number of payments 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 minimal level in payments?

The main impact will obviously be to save government administrative costs but the minimal payment level must not disadvantage smallholdings such as crofts. As stated previously payments should be linked to agricultural activity to exclude non-farming buyers of rural properties.

5. Cereals intervention

(i) What do you think is the best way to maintain the safety-net role of intervention for cereals?

The current system has worked well for a number of years and should be maintained as a fallback.

(ii) What would be the impacts of the extension of the “maize” model to the other feed grains?

(iii) What kind of impacts do you see with the creation of an intervention system available only to high quality wheat?

This would exclude Scotland from the benefit of an intervention system for cereals

6. Cereals set-aside

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

Set-aside has no place in an era of world food shortages and should be abolished.

(ii) What measures do you consider appropriate in order to maintain environment benefits associated with set-aside?

There are adequate measures available through the Rural Development Programme to deliver environmental benefits.

7. Dairy Quota

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

The quota system has served its purpose in stabilising dairy markets and Scottish producers are looking forward an end to the regime in 2015.

(ii) What benefits and what risks do you see from doing nothing and simply letting the quota regime expire in 2015?

The proposed gradual increase in quotas should lead to a smooth transition to the expiry of the quota regime.

(iii) What kind of effects do you see emerging in the case of a gradual phasing-out of quotas through increasing their annual level? What would you propose as an alternative or accompanying transitional measure?

Annual increases in quotas should be geared to accommodate the envisaged increase in production. It would be counter-productive if producers had to incur increased costs at this stage to match increased production.

8. Other measures of supply control

(i) What would be in your opinion the implications from the application of decoupling these sectors?

Where production would become unviable if support became decoupled it should remain partially decoupled. This is particularly important in the case of protein crops which face competition from outside the EU.

(ii) Are there any cases where you consider coupled support essential in order to retain regional or economic benefits? If so, how can it be made more efficient and better targeted?

As stated previously, it has become evident that hill livestock farmers cannot survive without direct support.

9. Managing risk

(i) 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?

In Scotland the SPS is still essential to underwrite the lack of profitability in most livestock enterprises. This was also the case in the cereal sector until the recent rise in grain prices during 2007. Direct support as the Single Farm Payment is likely to decrease up to 2013 leaving the less profitable sectors even more vulnerable to drastic falls in market price such as the recent crisis due to foot and mouth. There should be a mechanism available such as long term storage to take the product off the market in glut situations resulting from a market collapse.

(ii) 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?

Existing measures would seem to be limited in their flexibility and cumbersome to operate. Flexible and rapid contingency measures should be available to provide emergency aid on a headage or area basis according to the nature of the problem.

(iii) 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 MS and regional level?

Most price and production related risks will occur at a regional level and, therefore are best addressed by a regional solution within the wider framework of an EU policy.

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

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

Addressing these challenges forms a central plank of both pillars of the CAP and there are ample measures available.

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

Suitable measures are available within the RDP to address these challenges but, many of the schemes are competitive and may be difficult to access.

11. Strengthening Rural Development

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

Like the rest of the UK, Scotland is already burdened by an annually increasing rate of voluntary modulation, rising to 9% in 2012 on top of EU compulsory modulation. Any increase in compulsory modulation must be matched by a corresponding decrease in voluntary modulation if Scotland is not going to be disadvantaged within the EU.

(ii) How do you think the extra funds should be allocated to better respond to these new challenges?

There are adequate measures to address these challenges in the SRDP without having to further deplete the support payments in Pillar 1 on which viable agriculture depends.