

CROSS-PARTY GROUP on CROFTING

Meeting 3 of Parliamentary Session 4

Scottish Parliament, room TG20/21

Wednesday 26 October 2011 17.30

MINUTES

Present:

Jamie McGrigor MSP (Chair)
Patrick Krause SCF (Sec)
Jean Urquhart MSP
Derek Flyn SCF
Lucy Sumsion NFUS
Jo Durno NFUS
Nigel Miller NFUS
Simon Allison Crofters Commission
Peter Pitkin SNH
Billy McKenzie, Scottish Government
Rosi Waterhouse Scottish Government
Amy Corrigan RSPB
David Smith SCF
Kim Karam office of Tavish Scott MSP
Liza Gilhooly office of Rhoda Grant MSP
Iain Dewar Scottish Government
Douglas Pattullo office of Jamie McGrigor MSP
Dave Thompson MSP
Katrina Marsden SPICe

1. Welcome and Apologies.

Jamie McGrigor welcomed everyone. Apologies received from:

Eleanor Arthur SCF; Norman Leask SCF; Rhoda Grant MSP; Elaine Murray MSP; Tavish Scott MSP; Hugh Donaldson HIE; Richard Frew SG; Murdo MacKay CnES; Rob Gibson MSP; Murdo MacLennan Crofters Commission; Addie Doull Shetland Isles Council; Isobel MacCallum Highland Council; Alasdair Allen MSP; Jim Lugton SCF; Ishbel Crawford Lantra; Andrew Midgley SL&E.

2. Minutes of the previous meeting

Minutes of 07 Sept 2011 agreed

3. Matters arising

All actions completed.

4. CAP 2014 - 2020

Rosi Waterhouse gave a presentation on Pillar 1 proposals from the European Commission (this has been circulated).

General comments and discussion.

There is still a long process to go and the proposals from the European Commission will undoubtedly change as they are amended by the European Parliament and Council.

The trend has been to decouple. There will still be a Basic Payment - smaller than the Single Farm Payment (SFP) - plus additional payments for specific measures. The overall budget is about the same (frozen at 2013 budget).

Some elements are compulsory e.g. Basic Payment (BP), 'greening' (30% of P1), new entrants scheme.

Areas of Natural Constraint will be in pillar 1 and pillar 2 but there will be no double funding as they are treated differently.

Regionalisation will be an issue for Scotland – it could remain as a single European region or could divide into smaller regions. There appears to be no limit on the number of regions – though increase in regions equals increase in administration.

NFUS stated it wants as many regions as possible. This may be bad for crofting if marginal areas are regionalised and support based on average for the region.

SFP will cease on 31.12.13 and there will be a new allocation of entitlements from 01.01.14. Eligibility will depend on being 'active' – at least 5% income derived from agriculture (if payments are over €5,000)– and having activated an entitlement in 2011. The Shucksmith Inquiry showed 25% income being derived from croft.

The BP will be area based (40%) and historic (60%) and will level out to 100% area based by 2019. Its value can vary by region.

A Small Farmers Scheme is an option, but will replace all other direct payments and would be exempt from cross compliance. Europe recognises holdings down to 1ha but Scotland only goes down to 3ha.

Non compliance of 'greening' measures can result in loss not only of the 'greening top-up' but also the BP.

The 2011 connection seems to work against new entrants, who would need a National Reserve to fund them. Is this possible? There is a separate young entrants scheme but many new entrants would be over 40 years old.

Billy McKenzie gave a presentation on Pillar 2 proposals from the European Commission

General comments and discussion.

The SRDP will remain very similar to the current, though maybe simplified.

LFASS will be replaced by an Area of Natural Constraint scheme. It is assumed the area will be similar to the LFA and should have Standard, Fragile and Very Fragile categories.

There should still be land managers contracts – LMO and RP. It is important to have more croft-friendly LMOs and a simplified system for small enterprises.

There will still be a minimum spend of 25% agri-environment schemes and 5% on Leader.

Will P2 be regionalised? It is in a way now but could be more so. But the danger of regionalisation lies in using an historic budget.

It was agreed that there needs to be a specific support measure for common grazings under the SRDP.

Process. Scottish Government will have a consultation out in December and then another in a year or so.

Peter Pitkin gave a presentation on alternative payment strategies.

His presentation had been distributed.

This is based on work done by SAC for SNH looking at alternative payment strategies for non-profitable agricultural systems that deliver public goods.

The existing regulation bases payments on cost and income foregone. This may be ok for profitable farming but does not work for the North and West of Scotland – it results in very low payments. An example is how LFASS payments are lowest in the fragile and very fragile areas and farms on higher quality land get higher payments (seemingly contra to the spirit of a less favoured area support scheme).

Payments are currently based on outmoded values; environmental protection in general, and protection of peatlands specifically, are now recognised as being much more important.

Three alternative payment approaches were tested:

1. Full Cost of Management (FCM) Approach. The FCM formula is proposed as an agri-environment type, site-specific payment, which would be justifiable where a management activity is unprofitable. The calculations are based on the full cost of management, including a proportion of the fixed costs.

The other approaches are based on the Less Favoured Areas formula:

2. Holding-wide (HW) Payment Approach - based on assistance for disadvantaged regions where farming systems provide environmental public goods. This approach explores the scope to develop holding-level payments based on a whole farm agri-environment undertaking and is based on estimated gross margins.

3. Opportunity Cost (OC) payment approach. This also involves a holding-level approach, but is based on the opportunity cost of farming expressed in the form of alternative income options within areas subject to natural handicaps.

Which option would be used would depend on what sort of payment system and environmental outcomes are wanted.

'Greening' will level the playing field a bit but it is felt not enough.

The European Commission could ask "does LFASS (or ANC) not provide this?". No it doesn't, it is weighted *against* the areas we are talking about. Option 2 could be LFASS / ANC.

5. AOB

It was agreed that the next meeting should focus on renewables for crofting.

6. DONM

14 December 2011, evening.