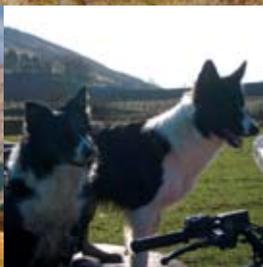
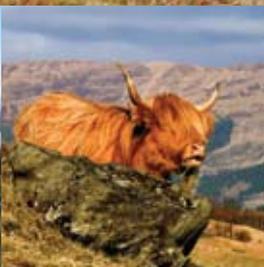


MANIFESTO FOR THE HILLS



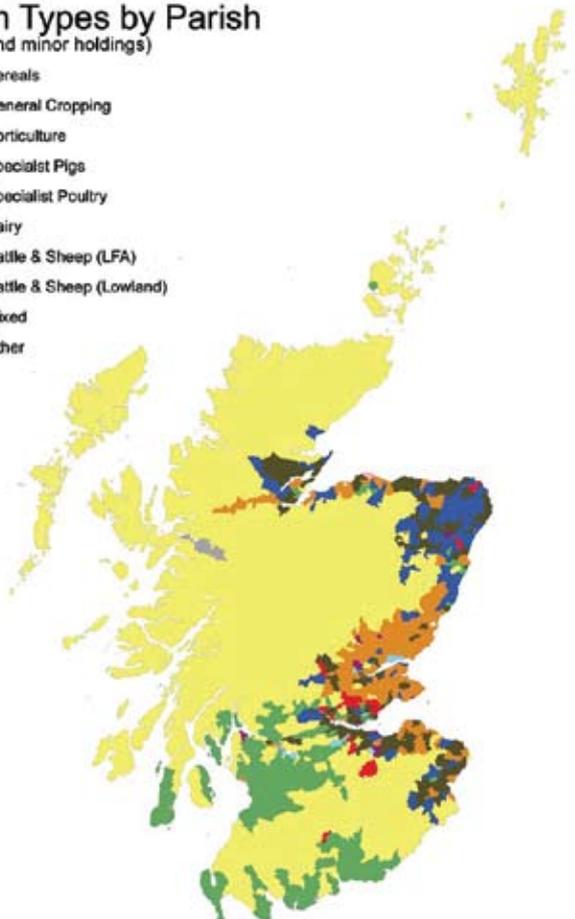
How to secure the future of livestock production in Scotland's hills and uplands



Farm Types by Parish

(Main and minor holdings)

- Cereals
- General Cropping
- Horticulture
- Specialist Pigs
- Specialist Poultry
- Dairy
- Cattle & Sheep (LFA)
- Cattle & Sheep (Lowland)
- Mixed
- Other

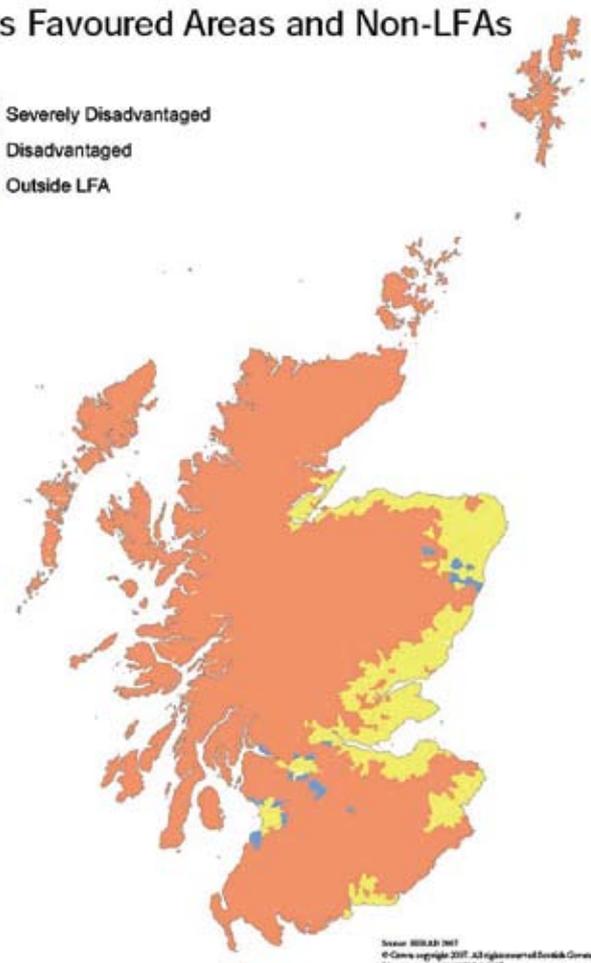


Parishes have been assigned a farm type, where their total European Size Units (ESUs) for that type exceeds the total ESUs for each of the other types

Source: NSRAB 2007
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 Service number: 096922640 2007
 Government Geographical Information Service

Less Favoured Areas and Non-LFAs

- Severely Disadvantaged
- Disadvantaged
- Outside LFA



Source: NSRAB 2007
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 Government Geographical Information Service

EXECUTIVE SUMMARY

Farming in Scotland's hills and uplands is at a crossroads. Livestock producers are questioning their future in an industry marked by poor market returns and increasing input costs.

This poses a question for policy-makers and the industry itself. Do we simply accept this decline in agricultural activity as an inescapable consequence of market forces? Or do we recognise the social, environmental and economic benefits delivered by the industry and seek innovative solutions to secure its future?

NFU Scotland believes that the potential harm to the rural economy and countryside of a continued downturn in hill farming demands action to secure its future.

THE SOLUTIONS

This document proposes policy solutions. NFUS fully recognises that public policy is only one piece of the jigsaw. The industry must also focus on helping itself through continued improvements in marketing, collaboration, technical efficiencies and genetics. However, these alone will not halt the decline and this manifesto of options must mark the beginning of a new and urgent debate on the Scottish Government's hill farming policy.

This manifesto does not represent a call for new and additional public funding. It focuses on making better use of existing funds.

There are three strands to the policy proposal:

- Use of the Scottish Beef Calf Scheme (see page 5)
- A new model for Less Favoured Areas support (see page 6)
- Improved options under the Scotland Rural Development Programme (see page 8)

In isolation, these strands will be ineffective. But, together as a package, they can lay the foundation for a stronger future for the industry. These proposals represent an investment in current and future generations of hill and upland producers and can ensure that their social, environmental and economic potential is realised.

FACTS AND FIGURES

- Scotland's 500,000 breeding beef cows, and their 500,000 calves produce around 180,000 tonnes of beef, valued at £500 million a year¹
- 3 million breeding sheep and 3.5 million lambs produce 30,000 tonnes of sheepmeat a year, valued at £150 million²
- 83 percent of Scotland is designated as disadvantaged land (Less Favoured Area - LFA) and this is home to around 13,000 farms.
- Two thirds of Scotland's dairy cows are in the LFA, generating £170 million in economic output.³
- In a hill breeding sheep flock, a farmer is losing around £26 per ewe⁴
- In an LFA suckler cow herd, a farmer is losing around £280 per cow⁵

Retreat from the Hills

- Between 1998 and 2007, the national sheep flock reduced by 2.3 million to around 7.5 million sheep, a 23 per cent reduction.⁶
- In the North and West of Scotland some areas have seen reductions of between 35 and 60 percent in sheep numbers since 1999.⁷
- The beef breeding herd has reduced by 11.7 percent since 1998 to just over 470,000.⁸

¹ The Scottish Red Meat Industry Profile 2007, Quality Meat Scotland, pp 2-3

² The Scottish Red Meat Industry Profile 2007, Quality Meat Scotland, pp 2-3

³ Economic report on Scottish Agriculture 2007, Scottish Government, pp 5, 80

⁴ Farming's Retreat from the Hills, SAC Rural Policy Centre, August 2008, pp 22

⁵ Farming's Retreat from the Hills, SAC Rural Policy Centre, August 2008, pp 23

⁶ Farming's Retreat from the Hills, SAC Rural Policy Centre, August 2008, pp 7

⁷ Farming's Retreat from the Hills, SAC Rural Policy Centre, August 2008, pp 1

⁸ Farming's Retreat from the Hills, SAC Rural Policy Centre, August 2008, pp 7

THE PROBLEM

The number of livestock on Scotland's hills is in decline. This decline in livestock numbers has implications for local economies, communities, the environment and the whole food supply chain.

The problem has been acknowledged in a number of recent papers. Notably a paper by the Scottish Agriculture College entitled 'Farming's Retreat from the Hills' which brings together some of the evidence on what is happening to livestock numbers at a national, regional and local level. A report for Highlands and Islands Enterprise (HIE) highlighted that the rate of decline in the number of ewes in the HIE area between 2001 and 2006 was more than twice the Scottish average.

The Committee of Inquiry on Crofting identified similar trends and highlighted the lack of available labour that is leading to a decline in the use of hill grazings. And the Royal Society of Edinburgh is also conducting an inquiry into the issues affecting Scotland's hill and island areas and the impact of agricultural policy reform on communities, the maintenance of environmental quality and the prospects for economic development.

Hill livestock production is currently financially uneconomic and the majority of farms can not survive without the support payments they receive, primarily in the form of the Single Farm Payment (SFP) and the Less Favoured Area Support Scheme (LFASS).

Ideally the market price would be sufficient to make production profitable. However, this is not the case and in the short term there is unlikely to be a sufficient increase in the market prices to offset the spiralling input costs of feed, fuel and fertiliser, as well red tape, to make the active livestock farming economically viable. Longer-term, there are no signs that the market will be able to adequately reward the environmental and social goods delivered by active agriculture.

We are faced with two choices:

Scotland's society and its leaders could accept the decline in livestock numbers and consequences for rural economies, environments and communities - putting it down to market forces. Or policy makers, political leaders and the livestock industry could unite to intervene.

NFUS believes that it is both vital and urgent that deliberate steps are taken to halt the decline and prevent the loss of many facets of rural Scotland by using the policy tools that are currently available to Scotland.



REASONS FOR SUPPORTING LIVESTOCK FARMING ACTIVITY

Livestock farming has traditionally formed the backbone of local economies and communities across Scotland. The landscape and biodiversity associated with livestock farming depends on viable livestock units, and grazing management in particular.

However, the value of extensive production systems, and their products, is generally not sufficiently rewarded by the market place to render them economically viable without some form of financial support. Livestock farming, and all that is associated with it, is in danger of disappearing if there is not sufficient support to bridge the gap between the market price and the cost of production.

Farmers in hill and upland areas, as elsewhere, must be rewarded for the public goods and services they provide if they are to be secured in future. Some suggest this can be done through existing elements of the Scotland Rural Development Programme (SRDP). Whilst the current agri-environment schemes, such as the Rural Stewardship Scheme, and now Rural Development Contracts, do have a role they are not the answer. This is because payments in these schemes are based only on costs and income foregone, they do little to support the farming systems that produce these goods and services.

Equally, for livestock farmers and crofters to continue to be in a position to deliver wider, non-market benefits, their core business must be profitable. In the face of inadequate market returns, agricultural businesses will not be viable and there will not be the required land managers, breeding livestock and systems of production in place.

→ Local Economies

Loss of livestock activity is having a significant impact on the already fragile economy of much of rural Scotland. In addition to this, the loss of the less tangible environmental and social co-products associated would be detrimental to other rural economy sectors and wider social interests.

Livestock farming in Scotland's uplands and remoter areas is a complex business that helps support a wide range of businesses and services, including local butchers, farmers markets, livestock markets, abattoirs, meat processors, vets, animal feed processors, and agricultural merchants. Livestock farming plays a pivotal role in the local economy of much of rural Scotland.

The true multiplier effect of farming in such areas, where no comparable user of inputs and generator of outputs exists, can not be over-estimated. The economic prosperity of most livestock farming areas of Scotland will continue to rely on the financial viability of farming businesses.

→ Scottish Tourism

Rural tourism opportunities provided throughout Scotland's hills and uplands are hugely significant for the Scottish economy as a whole, and local communities in particular. Yet, this tourism and recreational activity is highly dependent on the open, grazed landscape created by the upland farming systems. It is highly unlikely that these benefits would continue in their desired state without farming because it is the livestock management that produces and maintains the landscape, largely through grazing.

→ Biodiversity

Maintenance and enhancement of the rich and varied environment associated with livestock farming areas continues to depend on viable sheep and beef units, and grazing management in particular.

Against a background of declining livestock activity, such areas will revert to more and more extensive land use with declining management inputs, most notably working capital and labour. This may prove to be an economically rational decision, but it is unlikely to yield a comparable level of environmental benefits as current or traditional practices do.

In addition, hundreds of thousands of hectares across Scotland are designated as Sites of Special Scientific Interest (SSSI) and rely on agricultural management for

their conservation. These include not only moorland, but also species-rich grasslands associated with in-bye ground. Many of these sites require the commitment of their farming occupiers to safeguard their future.

The agricultural management of different types of vegetation, sometimes including arable and forage crops, is also very important for species of farmland birds such as corncrake, lapwing and curlew.

Other key target species such as snipe and golden plover would suffer greatly from any decline in grazing and management on the majority of farms that dominate land use. Scotland's hills and uplands require livestock grazing to sustain the delicate balance of plant, insect, bird and other animal species which make them unique.

→ Communities and Cultural Identity

Agriculture plays an important role in many rural economies and communities either directly, through employment, or indirectly, through the way that farm businesses are linked to other businesses in an area. Changes in agricultural production, especially in remote rural areas – where agriculture plays a more prominent role in the economy – can have significant implications for local communities.

Scotland's livestock farming areas typify a cultural landscape – managed environments that support vital habitats and their fauna as well as sustaining jobs and incomes to the benefit of rural economies and local communities. In addition, a thriving grazing livestock sector requires the skills, knowledge and experience of hill farming communities.

Culturally, farming and crofting play a fundamental role in the life of many remoter rural areas, not least through a strong link between individual farming families, their land and their way of life. The strong sense of community, the specialised system of hefted flocks, and the high nature value of these areas produces a range of direct and indirect benefits for all.

Livestock farming ensures that numerous Scheduled Ancient Monuments and other landscape features, such as dry stane dykes and vernacular buildings, are positively managed and actively used. Scotland's hill and upland areas are highly regarded by those who visit them and help define the cultural identity of Scotland.

THE SOLUTION

In an ideal world, the market would deliver the price incentive to secure ongoing activity at a level which safeguards the ongoing delivery of the public goods already listed. However, this is not the reality, nor likely to be in future.

Clearly, the industry must therefore look to how it can help itself. That must mean further work on marketing, collaboration and improvements in technical efficiencies and genetics. The hill farming sector is committed to that however, twinned with these improvements, there must be the right policy framework and that is the focus of this document.

NFUS recognises the budgetary constraints within which Government must operate. **The following proposals are budget-neutral and represent a re-focussing of existing spending.**

There is no single policy tool which can provide sufficient money to make the keeping of livestock an economically viable activity in the hills. Instead of looking at the policy tools as separate support measures, combine them as a package of measures then they can provide sufficient incentives for supporting ongoing agricultural activity.

The policy tools available and suitable for this means are:

1. Scottish Beef Calf Scheme

2. Less Favoured Area Support Scheme

3. Land Managers Options



A 'package' of non-competitive, well-funded and appropriate measures needs to be made available for active livestock production that sufficiently addresses the financial disincentive of livestock production and adequately reflects the true contribution these farming systems make to rural Scotland.

This can be done by retaining the Scottish Beef Calf Scheme (SBCS), refocusing the Less Favoured Area Support Scheme (LFASS) and adding a number of additional options to the Land Managers Options (LMO) package. This will also require redistributing some of the SRDP budget from competitive (Tier 3) measures to non-competitive Tier 2 measures.

By increasing the funding available for an enhanced menu of LMO (Tier 2) options, increasing the allowances available to individual businesses, and increasing the funding for a re-focussed LFASS, NFUS is believes that active livestock production will be maintained in more economically fragile areas. This will result in continued delivery of significant economic, environmental and social benefits, as livestock farming underscores its pivotal role in rural development.

1. SCOTTISH BEEF CALF SCHEME

The Scottish Beef Calf Scheme (SBCS) was first implemented in 2005 using Article 69 of Council Regulation (EC) 1782/2003. The scheme was funded by taking 10 percent of the beef element of the Single Farm Payment to make an annual payment on calves. The objective of the scheme is to support beef production in Scotland in order to protect and enhance the environment through cattle grazing and also to improve the quality and marketing of agricultural products.

It is difficult to disentangle the effects of the SBCS from the effects of decoupling of support from production that occurred at the same time as the scheme's introduction. Nevertheless, a recently carried out evaluation of the SBCS concluded that it had had limited effect on retaining cow numbers.

NFU Scotland has always voiced concerns about whether the SBCS by itself could sufficiently support beef production. The recently carried out evaluation of the SBCS⁹ concluded that the scheme had failed to reverse the downward trends in cattle numbers.

To date, the SBCS has had a minimal impact on helping producers to retain cattle against the background

⁹<http://www.scotland.gov.uk/Publications/2008/06/05104709/0>



impact of financial losses. As annual losses on beef production units continue producers will carry on reducing or withdrawing from beef production. By itself, the SBCS does not provide

an adequate incentive to influence production decisions. However, if the scheme could form one component a much broader potential support package then it would be a vital component of this larger element.

The SBCS needs to be retained and packaged together with other policy tools in order to provide sufficient support to maintain livestock production in the hills and uplands.

At the same time, the scheme rules need to be altered to allow calves from the dairy herd which have been sired by a beef bull to become eligible. This will recognise the contribution that dairy farms make to the beef sector in Scotland.

2. LESS FAVOURED AREAS SUPPORT

Less Favoured Areas (LFAs) comprise 85% of Scotland's agricultural land and the Less Favoured Areas Support Scheme (LFASS) is designed to sustain active farming and crofting in these areas. (See maps on page 1) This critically helps to maintain and improve the high economic, environmental and social value of farming in more remote and disadvantaged locations in Scotland. Vitally, LFA support provides the driver for much of Scotland's livestock industry, with the entire red meat supply chain and industry depending heavily on animals from LFAs.

Scotland's LFAs stretch from Wigtownshire in the south to the Shetland Isles in the far north, the Lammermuir hills in the east and the Outer Hebrides in the extreme west. Land management in these areas faces particularly difficult physical and climatic conditions and to compensate for these natural handicaps, LFASS provides over £60 million each year to about 13,000 farmers and crofters through the Scotland Rural Development Programme (SRDP).

In Scotland, the main objective of LFASS refers to the key role of agricultural activities in sustaining rural economies and also maintaining important biodiversity and landscapes. Furthermore, the multifunctional role of LFA agriculture is also reflected in the new Rural Development Regulation (EC Regulation 1698/2005) which includes the

provision of support for LFAs under Axis 2: Improving the Environment and the Countryside.

This multifunctional role of LFA farming has become the main rationale for continuing support. Public goods provision from LFA agriculture is an example of government intervention to correct market failure and inequalities. LFA farming, relative to non-LFA farms, is more vulnerable to trade liberalisation and suffers from, amongst other factors, lower productivity and fewer opportunities for diversification. It is evident that supporting farmers in these areas provides both public goods and agricultural products that might not otherwise be available.

LFASS was also an important component of the previous SRDP (2000-06), and the Mid-term Evaluation (2003)¹⁰ of that programme found that LFASS played a very important role in supporting farm business viability.

A more recent review¹¹ concluded that LFASS 2000-06 provided socio-economic benefits to the farming community, and indirectly to the wider economy, and contributed to maintaining livestock numbers and stabilising farm incomes. It concluded that future LFA support should encourage "sustainable economic activity within a vibrant, suitably serviced rural community, such that appropriately sited public goods can be provided by an enthusiastic farming body with the necessary capacity to participate".

→ Changing LFA Circumstances

There is a general trend of declining suckler cow and breeding ewe numbers, particularly in north west Scotland, as outlined in the figures in the Executive summary. (Page 2)

The observed trends in suckler cow and ewe numbers are influenced by a number of factors in addition to changes made to LFASS. These factors include changes in market conditions and levels of support and the design of other agricultural support schemes.

In particular, the decoupling of payments from production under the 2003 CAP Reform is likely to have been a major driver in the observed production indicators. The evaluation of Scottish Beef Calf Scheme¹² concluded that, despite current levels of support, net margins for suckler cows are

¹⁰ DTZ (2003) SRDP Mid-term Evaluation for the Scottish Executive [web link]

¹¹ Less Favoured Area Support Scheme in Scotland: Review of Evidence and Appraisal of Options for the Scheme post 2010, Macaulay Institute, University of Edinburgh and Institute for European Environmental Policy (2006). <http://www.scotland.gov.uk/Publications/2007/03/21143353/0>

¹² <http://www.scotland.gov.uk/Publications/2008/06/05104709/0>



negative across a range of farming types, suggesting that suckler cow production systems would not be sustainable in the long run.

It is against this policy background that NFUS has developed further the principles of LFA support.

→ A New LFASS Model

Although LFA payments contribute to rural development objectives, NFUS Scotland believes there is a need to re-shape LFASS with a view to achieving some clearer outcomes, compensating for physical handicap only where the management (activity) of the farm is giving rise to clear public benefits - including those derived further down the supply chain.

For active livestock farming to survive in Scotland's more disadvantaged and remoter parts, NFUS Scotland proposes the following types of targeted financial support.

→ Support for active livestock farming

An incentive for active farming of this kind was part of LFASS up to 2006, but was discontinued when the previous SRDP ended. NFUS Scotland proposes that a similar incentive should be re-introduced in Scotland.

To achieve this, applicants would continue to be paid for actively farming eligible land for the majority of the year, in the same year as the Single Application Form (SAF) is submitted, and the established system of grazing categories would continue unchanged.

Land and livestock data from the SAF would be used to calculate and replace 'historic' values of support for continuing applicants and to establish values for new applicants. This could change the stocking densities used to establish whether someone is farming within the minimum and maximum stocking density limits, and the cattle percentages used to help determine activity.

Livestock numbers from the SAF would be used to calculate both stocking densities and the cattle/sheep ratio. Since individual SAFs would include stock numbers present on the holding as at 1 March, applicants would be asked to confirm which of the stock declared they themselves either owned or had management/economic responsibility for. Those who failed to enter livestock numbers in the SAF could be offered the chance to prove and declare them retrospectively, and those with both LFA and non-LFA land would be asked to identify which of those stock declared in their SAF were grazed on their LFA land.

Clear advantages of such an approach include allowing

new entrants to LFASS, thereby overcoming many of the current 'anomaly' cases and would result in a payment for verifiable current activity.

→ Support for environmental delivery

Farmers in hill and upland areas, as elsewhere, need to be rewarded for the public goods and services they provide. Agri-environment schemes (such as the Rural Stewardship Scheme, and now Rural Development Contracts) are an important mechanism for paying for them. But because payments in these schemes are based only on costs and income foregone, they do little to support the farming systems that produce these goods and services.

LFA payments, however, in supporting farm incomes help to keep these farmers farming and therefore, to some extent at least, they subsidise the production of the rural development benefits.

Under the NFUS proposal additional payments would be made to farms within LFAs that choose to take up measures that underpin productive potential and capacity that also directly contribute to the environmental benefits of active livestock farming.

To ensure payments are linked to current livestock activity, NFUS Scotland would support the introduction of some further environmental measures, for which LFASS claimants would receive additional support and which, as well as delivering environmental outcomes, would be designed to retain existing livestock related activity.

By introducing environmental options under the LFASS, it would further deliver on the objectives of Pillar 2 of maintaining the character of the rural landscape and the environmental fabric of the countryside, and supporting the farm business. The requirements would be relatively basic, but potentially hugely effective in delivering environmental benefits. These could include:

- a grazing management plan relating to the livestock ratio mix (cattle top-up)
- managing a minimum area of grass for hay and/or silage
- cultivating a minimum area of ground for a forage crop
- removing animals from sensitive areas, particularly in winter, akin to the existing away-wintering and off-wintering Tier 3 options under Rural Priorities
- a proportion of the grassland to be managed as permanent pasture or to be maintained as rough grazing

→ Support for farming in remoter areas

Issues such as remoteness and peripherality are permanent handicaps that limit the rural development contribution of farming in such locations. LFASS should reflect both physical disadvantage and physical dislocation - as the additional costs of each dictate that public good delivery can not be secured without LFA support.

Low agricultural output and higher input costs in combination puts farms in these areas at a disadvantage, and this is reflected as lower average yields and returns per hectare, lower farm income levels, and other similar land productivity and economic performance indicators.

Much of this is a reflection of physical disadvantage, but in many locations it may be a reflection of different cost structures as a result of remoteness and peripherality. Any LFASS system must, therefore, also allow for recognition of socio-economic parameters in regions where such criteria are of relevance to the continuation of active livestock farming.

Past and present versions of LFASS have recognised this. The current LFA payment structure in Scotland includes fragility markers (standard, fragile and very fragile areas) that denote the remoteness of rural areas, and is assigned at an agricultural parish level which is long established as an agricultural administrative unit.

Fragility markers are reflective of the additional transport costs associated with reaching markets and sourcing agricultural supplies in remote areas. If these fragility markers are combined with payments for securing the benefits that are co-products of active livestock farming, then more accurate financial recognition of the overall rural development benefits will be possible.

Developing a new model for LFASS must be about securing agricultural activity in our more disadvantaged and fragile areas. That process must include, for example, addressing the current anomaly whereby most dairy farmers, who contribute significantly to local economies within the Less Favoured Areas, are excluded from the current scheme.



3. LAND MANAGERS OPTIONS

Rural Development Contracts (RDCs) represent the central part of the integrated approach to the SRDP. RDCs link support under Pillar 1 (the SFP) with support under Pillar 2 (the SRDP) of the Common Agricultural Policy and, therefore, enable Pillars 1 and 2 to be considered together to achieve common objectives.

The linking of Pillar 1 and 2 payments in this way is intended to encourage land managers to consider their Pillar 1 payments as a means of securing further rural development benefits, in particular to deliver or underpin actions to improve business viability.

If farmers and crofters are to develop their businesses and deliver wider public benefits it is vital to have a suite of measures under the SRDP that are easy to apply for and simple to implement. Land Managers' Options (LMOs) are a critical step in the process of constructing a comprehensive programme of such measures.

Land Managers Options (LMOs) is a non-competitive, allowance-based delivery mechanism for rural development payments to farmers and other land managers who deliver a range of benefits beyond those delivered by EU and national legislation, including cross-compliance, in recognition of the many contributions that farming makes to rural development.

Land managers are able to choose from a limited menu of options to suit their particular circumstances and objectives, and will receive support for delivering those measures up to the value of a limited LMO allowance.

The current LMOs are not how Tier 2 was either conceived or envisaged. The original concept, dating back to 2001 and clearly championed by A Forward Strategy for Scottish Agriculture, was of a set of simple measures that would be relevant and deliver benefits, albeit to varying degrees, on any farm or croft.

NFUS has, since the introduction of the LMC Menu Scheme in 2005, been concerned that the extent to which social, environmental and economic benefits are delivered on the ground could be limited. Within LMOs, there remains a heavy emphasis on environmental measures. There is not enough scope for upland and hill farms and little that rewards the economic and social benefits from active livestock farming, including those already being delivered.

The issues are: firstly, there are insufficient resources at the disposal of individual applicants, i.e. allowances are too limited to enable meaningful delivery; and, secondly, the current list of 22 options offer little if anything by way

of meaningful investment in the sustainability of individual farms and crofts.

→ A New LMOs Package

NFUS considers that a number of additional options should be included in the LMO package, together with a substantial increase in the funding made available to individual businesses through their allowance. As well as aiding the integration of LMOs with LFASS and the SBCS, this would go some way in redressing the balance of funding between competitive and non-competitive measures.

That in itself would improve the credibility and uptake of SRDP measures and go some way in reducing the bureaucratic and administrative burdens that have tarnished the operation of the new programme from the outset.

The following is an indicative list of some of the non-competitive options that should be included. These options are specifically designed to underpin active livestock farming, allowing it to provide a range of rural development outcomes.

- Pasture improvement by reseeding a proportion of the pasture area each year to ensure that improved grassland remains sufficiently productive, through grass/clover swards, to make enough silage or hay without having to increase fertiliser application. This option would allow for the maintenance or establishment of pasture.
- In relation to this, there should be an additional option to underpin hill grazing management (including, re-seeding, liming, bracken control, etc).
- Use of performance recorded livestock to improve stock genetics by engaging in an improvement programme that requires the purchasing of specified above average breed traits. This option would allow for performance recording and selection within a farmers own stock.
- Bracken/rush control to reduce the overall presence of invasive species such as bracken and/or rush by the most appropriate method to enhance productivity and to the benefit of biodiversity and the landscape.
- Ditch maintenance to ensure that all ditches are cleared on a regular basis to prevent drainage systems falling into disrepair and associated problems.
- Benchmarking to broaden and strengthen the skills base of people involved in agriculture, crofting and



forestry thus promoting greater competitiveness in the rural economy.

- Support for the skills and labour required for gathering of hill flocks (and herds) necessary to ensure that environmental delivery is optimised and that animal welfare is maximised, as well as ensuring livestock identification systems are effective.
- Improvement of fences and dykes for biodiversity in order to provide habitats for plants and animals, contribute to the local character of the landscape, and offer effective biosecurity and management control.
- Conservation grazing to ensure that there is no increase in coarse and unpalatable vegetation resulting in a loss of soil fertility and a general loss of biodiversity by introducing cattle to help control vigorous summer growth of moorland vegetation between the months of May and September.
- Other capital allowances to support operations necessary to operate a farm business that delivers the full range of economic, environmental & social benefits.

All of these would be permissible under various articles of the Rural Development Regulations (EC 1698/2005). Moreover, many of these potential options are complementary to one another, thereby would allow individual farmers and crofters to maximise their vital rural development role by underpinning their ability to undertake active livestock farming, rather than supporting them with direct production-related payments per se.



HOW TO FUND THIS MANIFESTO

As discussed earlier, the budgetary constraints on Government has been the catalyst for re-focussing existing spending under the Scottish Rural Development Plan (SRDP), rather than making a case for new, additional funding.

The **Scottish Beef Calf Scheme** is already funded to the value of around £18 million. NFUS proposes maintaining that budget.

To fund the new model for the **LFA Support Scheme** and to provide additional funds for an expanded list of options under **Land Managers Options (LMOs)** a redistribution of the current spending under the SRDP is proposed.

→ Where SRDP funding is currently spent

Total Scottish Rural Development Programme expenditure for 2007-2013 is equivalent to £1.46 billion (excluding legacy schemes). The detail is as follows:

- Indicative financial tables for the SRDP show that expected expenditure on LFASS over the seven years of the programme is £427 million¹³, or nearly 30 percent of total expenditure.
- Assuming an annual expenditure of £19.5 million on LMOs this would equate to £136.5 million over the seven years of the programme or nearly 9 percent of total expenditure.
- Indicative financial tables for the SRDP show that expected expenditure on implementation of the LEADER approach over the seven years of the programme is £73.7 million¹⁴, or about 5 percent of total expenditure.
- Indicative financial tables for the SRDP show that expected expenditure on woodland creation and forest environment payments over the seven years of the programme is £252 million¹⁵, or nearly 17 percent of total expenditure.
- Indicative financial tables for the SRDP show that expected expenditure on agri-environment measures over the seven years of the programme is £254 million¹⁶, or about 17 percent of total expenditure.
- Indicative financial tables for the SRDP show that expected expenditure on 'business development measures' over the seven years of the programme is £306 million¹⁷, or about 21 percent of total expenditure.

Under NFUS proposals, spending under LFASS (through the additional environmental options) would increase by £20 million per annum to £81 million in total, if it was fully subscribed. Spending under Land Managers Option would rise by £19.5 million to £39 million. This represents a total annual increase in spending of £39.5 million per annum.

Discounting funding already committed to be spent under the SRDP for 2007-2013, there is £540 million in total yet to be allocated to projects, representing £108 million annually until the end of the SRDP in 2013. This money is budgeted to be spent under Tier 3 competitive schemes.

Therefore NFUS proposes to shift 37 percent of annual budget (£39.5 million) currently earmarked for Tier 3 competitive projects, to Tier 2 non-competitive measures in order to fund solutions outlined in this paper.

TIMESCALE FOR DELIVERY

- Less Favoured Area Support Scheme consultation
- **September 2008**
- Less Favoured Area Support Scheme 2008 payments issued to producers - **October 2008** (these would normally be issued in December 2008/January 2009 but NFUS has already requested that these payments are advanced)
- CAP Health Check finalised
- **November 2008**
- Intention to deliver a package of measure announced
- before end **2008**.
- Retention of Scottish Beef Calf Scheme - **January 2009**
- Changes to Land Managers Options submitted to the European Commission - **2009**
- Less Favoured Area Support Scheme 2009 payments issued to producers - **October 2009**
- New Land Managers Options and business allowances - from **2010** claim
- Second interim Less Favoured Area Support Scheme - **2010-13**

¹³ Scotland Rural Development Programme 2007 – 2013, Table 7 Indicative breakdown by Rural Development Measure in Euro (axis/measure 212)

¹⁴ Scotland Rural Development Programme 2007 – 2013, Table 6.2.4 Totals by Axis

¹⁵ Scotland Rural Development Programme 2007 – 2013, Table 7 Indicative breakdown by Rural Development Measure in Euro (axis/measure 221, 223, 225, 227)

¹⁶ Scotland Rural Development Programme 2007 – 2013, Table 7 Indicative breakdown by Rural Development Measure in Euro (axis/measure 214)

¹⁷ Scotland Rural Development Programme 2007 – 2013, Table 7 Indicative breakdown by Rural Development Measure in Euro (axis/measure 111, 112, 114, 121, 122, 123, 124, 125, 132, 215, 216, 311, 312, 313, 321, 323, 331, 341)

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