

**SCOTTISH GOVERNMENT CONSULTATION ON THE EUROPEAN  
COMMISSIONS PROPOSALS FOR THE FUTURE CAP 2014 - 2020**

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**1. SUMMARY**

1.1 This paper sets out a recommended response to the above consultation.

**1.2**

The discussions around the future of the Common Agricultural Policy (CAP) have only seriously started in the last few months since the publication of the draft proposals with many principles still to be agreed before details can be defined. The current Scottish Government consultation is an initial consultation with more detailed consultations expected in the future.

**1.3**

The key points relates to the extensive new framework being proposed for direct payments to farmers and crofters, and changes to the Rural Development Programme. The CAP has a significant impact on Argyll and Bute by virtue of the high level of subsidies to the agricultural sector and the success of the distribution of funding from the Scottish Rural Development Programme (SRDP); and within the SRDP, the LEADER Argyll & the Isles programme.

**1.4**

It is critical that Argyll and Bute Council continues to engage in this reform process with stakeholders to ensure that the funding secured for the 2014 – 2020 programme is fair, proportionate, and equitable.

**2.0 Recommendations**

2.1 That the Executive Committee approves the recommended response to the consultation subject to any amendments the Executive Committee wishes to make.

**2. BACKGROUND**

2.1 The European Commission has published its draft proposals for the future Common Agricultural Policy (CAP) for the period 2014 – 2020. The Scottish Government consultation is an initial 'light touch' consultation with more detailed consultations programmed for later this year.

- 2.2** The CAP provides the main forms of support to the land based sectors across Europe, not only agriculture, but also the Scottish Rural Development Programme (SRDP) including LEADER. The importance of CAP to Argyll and Bute cannot be understated, not only in respect of the SRDP, but also to ensure the livelihood of agriculture in Argyll which is significant in terms of food production but is also essential to the survival of remote rural communities in mainland Scotland and the Isles.
- 2.3** The current proposals from the European Commission (EC) are extensive since they set out a completely new frame work for Pillar 1 Direct Payments (payments to agricultural holdings including crofts). Reforms are also being proposed in respect of Pillar 2 payments which relates to the Rural Development Programmes i.e. SRDP.
- 2.4** For the first time, the Scottish Government is using 'Questback' to structure the consultation. Questback is a survey type questionnaire that provides little scope for detailed responses but instead requests how strongly respondents feel about specific questions from 'strongly agree' to 'strongly disagree', or alternatively, 'I don't know'. Taking into account that this is an initial consultation and the high level of detailed discussions between stakeholders, it is considered that Questback is a satisfactory mechanism for this particular consultation.
- 2.5** The local authorities of the Highlands and Islands have formed an ad-hoc organisation called the 'Highlands and Islands Agricultural Support Group' (HIASG) to ensure a joined up response to the CAP reform. The HIASG is in direct dialogue with the Scottish Government and also has direct access to policy experts within the NFUS, RSPB, SNH, the Crofters Commission and the Crofters Federation.
- 2.6** In addition, the Council remains a key partner in the Argyll Agricultural Forum and directly supports the work of the Argyll Agricultural Development Manager. The Council is supporting a new study to commence soon that will update the 2003 Survey of Agricultural Holdings. This study will detail the number and types of holdings and include data on employment, importance of CAP payments, and future trends. At a strategic level the report will also outline the environmental, social and economic benefits of agriculture to Argyll and Bute.
- 2.7** There are 53 questions in the consultation covering three 3 broad areas as follows;
- Pillar 1 Direct Payments
  - Pillar 2 Rural Development Programmes (RDP)
  - Finance and Control Issues in respect of both Pillars
- 2.8** The closing date for the consultation is 24 April 2012. It should be

noted that only the draft forms of the proposals from the EC are being negotiated which will be a very long process as both the European Parliament and the Council of Ministers need to reach agreement on the content of the proposals and may take up to two years.

- 2.9** Please note that officers from the Council's European Unit within the Economic Development Team are fully involved in developing the Council's response. The recommended response to each question has been attached as a separate appendix; however, the key issues for Argyll and Bute are highlighted below.
- 2.10** Pillar 1; for the first time the EC is attempting to cease payments to agricultural holdings where is no or minimal agricultural activity. This is a welcome approach to ensure that active farmers and crofters may potentially receive higher payments. However, defining minimum activity is difficult within Scotland as there is a contrast between the less productive H&I region which has many constraints as compared to the central belt and east coast regions where agricultural production is historically much more intensive and productive due to less constraints and better quality agricultural land.
- 2.11** The EC is keen to see more 'greening' of agricultural holdings and whilst in principal this is welcome, the practicalities of complying with the proposed regulations are both counterproductive and are not aligned with the conservation policies of the EC.
- 2.12** Pillar 2; Scotland receives the lowest per hectare allocation of EU Rural Development funding and should pursue a more equitable share of this crucial EU funding. If successful in receiving increased funds from the EU, the Scottish Government should undertake to maintain or increase the current level of co-financing to better deliver its rural development objectives, and be urged not to use this as an opportunity to reduce its own contribution.
- 2.13** However, whilst not part of this specific consultation, a greater concern is the high likelihood that there may not be a Rural Development Programme for a period of around 12 months. It is considered likely that the agreed proposals at European level will not be in place until early 2015 and unlike Pillar 1 direct payments, there is no mechanism for the RDP to continue in the 'status quo' until the new programme is in place. Attempts are being made to look at a 'bridging' programme for the RDP for the period 2014; Council officers will continue to monitor this development closely.
- 2.14** The Scottish Government is considering that LEADER expenditure be managed by the Scottish Government Rural Payments and Inspections Directorate (SGRPID) as opposed to the current arrangements where it is managed by Argyll and Bute Council. Council officers 'strongly disagree' with this proposal as the current

structure allows for local decision making, accountability and controls.

### **3. CONCLUSION**

- 3.1** The impact of the CAP to Argyll and Bute cannot be understated in respect of our agricultural economy and the significant success of the RDP including LEADER in assisting both the agricultural sector and our communities. Whilst the EC proposals are in draft format, the negotiations have started and it is critical that Argyll and Bute Council continues to engage with the process and our partners to ensure that we get the best possible return from the CAP until 2020. Failure to do so will have an adverse impact on Argyll and Bute in respect of agricultural payments and the Rural Development Programme.

### **4. IMPLICATIONS**

<b>Policy:</b>	Corporate Objective 3 within the Council's Corporate Plan seeks to improve the potential of our area through working together. This is important as Argyll and Bute has huge natural potential for food production and we need to develop the area further.  Within the Economic Development Action Plan is a key outcome for a sustainable food and drink supply chain that adds value across all its components, primary producers to processors, in order to generate growth and wealth for Argyll and Bute.
<b>Financial:</b>	None
<b>Personnel:</b>	Officer time to monitor the reform proposals and continued engagement with stakeholders.
<b>Equal Opportunity:</b>	None

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**APPENDIX; QUESTIONS AND RESPONSE TO THE EUROPEAN COMMISSIONS PROPOSALS FOR THE FUTURE CAP**

<b>CONSULTATION 1: DIRECT PAYMENTS:</b>		
<b>Basic Payments:</b>		
	Question	Response/ Comment
1	Do you agree that a minimum level of agricultural activity should be required for future payments?	Strongly Agree
2	What might be a suitable definition for minimum activity in Scotland?	<p><i>This relates to the proposed definition of 'active farmer' to prevent payments to holdings where there is no agricultural activity; a proposal we support (see question 3). The proposal includes a condition relating to income and states that no direct payments will be made if the direct payment is less than 5% of the applicant's total receipts from non-agricultural income. This could place a significant burden on producers and the payment agency (SGRPID) in terms of checks and controls and potentially may disenfranchise small farmers, crofters and activity in the 'vulnerable areas'.</i></p> <p><i>Therefore, it is considered unwise to commit to suggesting a minimum amount of activity at this point.</i></p>
3	Do you agree that new entitlements for Basic Payments should only go to farmers who both activated SFP entitlement (s) in 2011 and are still actively farming in 2014?	<p>Disagree</p> <p><i>This would in effect bar farmers who had not claimed payments for whatever reason until 2020.</i></p>
4	Do you agree that new entitlements should only go to "active" farmers as proposed by the Commission?	Strongly Agree
5	Do you agree that claimants who receive less than €5000 direct payments should not be required to undertake any minimum activity requirement set in Scotland?	Agree
6	Do you agree that initially at	Neither agree nor disagree

	least 40% of the Basic Payment should be an area based payment and 60% historic?	<i>Further understanding of the impact on proposed 'splits' is required.</i>
7	Do you agree that Scotland should be able to allocate different payment rates in different parts of Scotland?	Strongly Agree <i>'Blanket' payments do not take into account the more challenging agricultural conditions in the Highlands and Islands.</i>
8	Do you agree that Basic Payments within a region should have a common value by 2019?	Neither agree nor disagree
9	Do you agree that direct payments should be progressively capped as set out by the Commission?	Agree
10	Do you agree that the maximum amount that might be paid in direct payments (excluding salaries and Greening) should be €300,000?	Agree <i>The more productive farming operators in the central belt and the east coast of Scotland are currently able to gain a larger and inequitable share of pillar 1 payments.</i>
11	Do you have any further comments to make on this section?	To incorporate the comments above.
<b>Further schemes which Scotland would have to offer:</b>		
	Question	Response/ Comment
12	Do you agree that there should be a simplified procedure for Small Farmers as set out by the Commission?	Strongly Agree
13	Do you agree that additional payments should be available to help Young Farmers?	Agree
14	Do you agree that 30% of Scotland's direct support budget should be devoted towards Greening the CAP?	Neither agree nor disagree <i>'Greening' measures can be counterproductive to agricultural activities and more details on proposed greening measures are required.</i>
15	Do you agree that arable farmers with more than 3 ha of arable crops should be required to grow at least 3 types of arable crop?	Strongly Disagree <i>Proposed as part of 'greening measures', it is designed to avoid arable crop monoculture. This is considered not applicable to the extensive farming systems of the Highlands and Islands (H&amp;I). This</i>

		<i>proposal could potentially damage and threaten continuation of the small areas of cropping which are vital to producing winter feed for animals. The HIASG proposes that an allowance for derogation from the 3 crop rule in the 'vulnerable areas'.</i>
16	Do you agree that farmers with permanent pasture on their farm should be required to maintain this land as pasture?	Agree
17	Do you agree that at least 7% of a farmer's eligible hectares excluding permanent grassland should be devoted to Ecological Focus Area?	Agree <i>Agreeable in principle on the basis that managed areas of natural and semi-natural vegetation counts towards the 7%.</i>
18	Are there any other criteria you think should be included under Greening?	No
19	Do you agree that the National Reserve should be operated at a Scottish rather than UK level?	Strongly Agree
20	Do you agree that the National Reserve should be used to help young farmers?	Agree
21	Do you agree that the National Reserve should be used help where there is a risk of land abandonment?	Agree
22	Do you have any further comments to make on this section?	To incorporate the comments above.
<b>Additional schemes which Scotland could also choose to provide:</b>		
	Question	Response/ <i>Comment</i>
23	Do you agree that Scotland should have the option of having Voluntary Coupled Support?	Agree
24	Do you agree that any future Voluntary Coupled Support payments in Scotland should be limited to 5% of Scotland's national ceiling?	Neither agree nor disagree <i>Further understanding of the impact on proposed limits is required.</i>
25	Do you agree that there should be the option of making payments to	Agree

	producers in Areas with Natural Constraints?	
26	Do you agree that there should be the option of transferring up to 10% of the Pillar 1 budget to Pillar 2?	<i>Further understanding of the impact on agricultural payments being reduced to increase the fund within the Rural Development Programme is required.</i>
27	Do you agree there should be an option to allow the transfer of up to 5% of Rural Development funds from Pillar 2 to Pillar 1, in countries where Pillar 1 payment rates are currently less than 90% of the European average rate?	Agree <i>This proposal would assist in ensuring food producers remain competitive within the common market.</i>
<b>CONSULTATION 2: RURAL DEVELOPMENT.</b>		
	Question	Response/ Comment
28	Do you agree with the objectives and priorities of EAFRD as set out at article 4 and 5? -	Agree <i>Priorities are as set out as follows;</i> - <i>Fostering knowledge transfer and innovation;</i> - <i>Enhancing competitiveness;</i> - <i>Promoting food chain organisation &amp; risk management;</i> - <i>Restoring, preserving &amp; enhancing ecosystems;</i> - <i>Promoting resource efficiency &amp; transition to low carbon economy;</i> - <i>Promoting social inclusion, poverty reduction and economic development in rural areas</i>
29	Do you agree with the proposals regarding thematic sub-programmes which are set out in article 8 and Annex III?	Neither agree nor disagree <i>The Sub-programmes are set out as follows:</i> <ul style="list-style-type: none"> <li>○ <i>Young farmers</i></li> <li>○ <i>Small farms</i></li> <li>○ <i>Mountain areas</i></li> <li>○ <i>Short supply chains – Links to local supply chains</i></li> </ul> <i>Whilst the above are agreeable in principle, more detail is required as to how rural Local Development Officers fit within the above proposed sub-programmes.</i>
30	Please let us know if you have	<i>The investment measures are</i>

	any comments on the specific wording of the measures which Scottish Government is able to choose investment priorities from.	<i>acceptable but the importance of wider rural development beyond agriculture should be emphasised to broaden the spectrum to encompass more measures relating to wider rural development? For example; LEADER has supported local Agriculture e.g. Milk supply chain project, the Argyll and Bute Agricultural Forum and Food From Argyll. This demonstrates that the LEADER approach can help to make agriculture itself more competitive rather than subsidies alone.</i>
31	Do you agree with the proposal re LEADER in Articles 42 - 45 and the proposed minimum spend of 5% of budget set out in Article 65(5)?	Strongly Agree
32	Do you agree with the proposal that the European Agricultural Fund for Rural Development (EAFRD) comes under a Common Strategic Framework (CSF) as set out in the CSF regulations?	Strongly Agree. <i>This may allow for a single plan approach across Argyll and Bute for the future programming period bringing a critical mass of funds as well as coherence and continuity.</i>
<b>CONSULTATION 3: FINANCE &amp; CONTROLS</b>		
<b>Financing under the CAP:</b>		
	Question	Response/ Comment
33	Do you agree that LEADER expenditure should be paid out by SGRPID as the accredited Paying Agency?	Strongly Disagree <i>Argyll and Bute Council should remain as lead partner as per the current structure which allows for local decision making, accountability and controls.</i>
34	Do you consider that the Scottish Government should opt for a regime of part and final payment within the payment window?	Strongly Agree
35	Alternatively, do you agree that the Scottish Government should advance the SAF date by up to 2 months to facilitate the option of making payments available in the 16 October to 1 December period?	Neither agree not disagree. <i>The SAF is a Single Application Form which allows farmers to submit their paperwork online on a single form. This is not a key consideration for the Council and best advised by the relevant authority i.e. NFU, SAC.</i>
36	Do you agree that there should be a continuation of the facility	Neither agree not disagree. <i>This is not a key consideration for the</i>

	for Direct Payments to be made in Euros?	<i>Council and best advised by the relevant authority i.e. NFU, SAC.</i>
37	Do you agree that it would aid the accuracy and timeliness of processing were the Scottish Government able to receive beneficiary applications electronically and undertake administrative validation of these using the on-line system?	Disagree <i>Such a system would need to be user friendly. In addition, the 'human element' is essential for applicants to develop their applications.</i>
<b>Advice, inspections and evaluations</b>		
	Question	Response/ Comment
38	Do you agree that the current farm advisory system should be expanded and individually targeted, as proposed by the Commission?	Neither agree not disagree. <i>Each Member State is required to maintain an approved Farm Advisory System (FAS) to advise farmers on land and farm management. The advice covers primarily the Statutory Management Requirements (SMRs) and the Good Agricultural and Environmental Conditions (GAECs).  This is not a key consideration for the Council and best advised by the relevant authority i.e. NFU.</i>
39	Do you agree that as far as possible there should be a holistic approach to inspections?	Strongly Agree
40	Do you agree that the common monitoring and evaluation framework should be all embracing and include direct payments, market measures, rural development and the application of cross compliance?	Strongly Disagree <i>Taking into account different types of 'intervention' funds within the Pillars, a 'one size fits all' approach would be unsuccessful.</i>
41	Do you agree that the common monitoring and evaluation framework be measured against viable food production, with a focus on agricultural income, agricultural productivity	Agree

	and price stability?	
42	Do you agree that the common monitoring and evaluation framework be measured against sustainable management of natural resources and climate action, with a focus on greenhouse gas emissions, biodiversity, soil and water?	Agree
43	Do you agree that the common monitoring and evaluation framework be measured against balanced territorial development, with a focus on rural employment, growth and poverty in rural areas?	Agree
<b>Cross Compliance and GAEC.</b>		
	Question	Response/ <i>Comment</i>
44	Do you agree that the current penalty regime and levels of payment reductions should be retained?	Neither agree nor disagree. <i>This is not a key consideration for the Council and best advised by the relevant authority i.e. NFU.</i>
45	Do you agree that beneficiaries participating in the small farmers' scheme should be exempt from cross compliance penalties?	Strongly Agree <i>This would be beneficial to crofts which will be regulated by the new Crofting Commission which will have an increased regulatory and enforcement role.</i>
46	Do you agree that requirements relating to deliberately killing, capturing and disturbing wild birds and destroying and removing birds' nests should be removed from cross compliance?	Neither agree nor disagree. <i>This is not a key consideration for the Council and best advised by the relevant authority i.e. RSPB.</i>
47	Do you agree that requirements relating to the use of sewage sludge in agriculture should be removed from cross compliance?	Neither agree nor disagree. <i>This is not a key consideration for the Council and best advised by the relevant authority i.e. SEPA.</i>
48	Do you agree that requirements relating to deliberately picking, collecting, cutting, uprooting or destroying European protected plant species should be removed from cross compliance?	Neither agree nor disagree. <i>This is not a key consideration for the Council and best advised by the relevant authority i.e. SNH.</i>
49	Do you agree that requirements	Neither agree nor disagree.

	relating to the control of foot-and-mouth disease, blue tongue and certain animal diseases should be removed from cross compliance?	<i>This is not a key consideration for the Council and best advised by the relevant authority i.e. SAC, SNH, NFU.</i>
50	Do you agree that the Water Framework Directive should be included in cross compliance?	Neither agree nor disagree. <i>This is not a key consideration for the Council and best advised by the relevant authority i.e. Scottish Water.</i>
51	Do you agree that the Sustainable use of Pesticides Directive should be included in cross compliance?	Neither agree nor disagree. <i>This is not a key consideration for the Council and best advised by the relevant organisations i.e. SAC.</i>
52	Do you agree there should be two new GAEC standards relating to a ban on burning arable stubble and the protection of wetland and the carbon rich soils, including a ban on first time ploughing?	Neither agree nor disagree. <i>GAEC is 'Good Environmental and Environmental Conditions' and allows the recognition of local factors such as differing soil or climatic conditions, cropping patterns, land use and farming structures. This is not a key consideration for the Council and best advised by the relevant organisations i.e. SAC.</i>
53	Do you agree the soil structure standard relating to the appropriate use of machinery should be removed from cross compliance?	Neither agree nor disagree. <i>This is not a key consideration for the Council and best advised by the relevant organisations i.e. SAC</i>