

## **ANNEX A. SCHEMES IN UK/ROI**

This Annex summarises the support arrangements for LFAs in other regions of the UK and in the Republic of Ireland. In some cases, it includes reference to how these support arrangements may change in future years (the way forward).

### **(A) ENGLAND – Hill Farm Allowance Scheme**

Approximately 17% of English agricultural land is designated as LFA: 1.624 million ha in SDA, 0.586 million ha in DA. Since the introduction of the Hill Farm Allowance (HFA) in 2001, LFA support in England has been focused on supporting continued agricultural use of the uplands in a more sustainable way. Currently the HFA Scheme is targeted at SDA hill farmers and provides around £23.7 million per year to around 7,000 farmers.

#### **Eligibility Conditions**

To be eligible for the HFA, farmers must:

- have a minimum of ten ha of eligible forage land in the SDA.
- maintain extensively grazed suckler-cow beef herds or sheep breeding flocks on eligible land, at a stocking density of at least 0.15 LU/ha. Producers maintaining stock at lower levels, however, may still qualify for a compensatory payment where there is an agri-environment agreement in place or other recognised environmental measures require this reduced level of stocking.
- undertake to farm on the eligible land for five years from the first payment of HFA.
- follow cross compliance requirements. HFA recipients are required to meet the English standards of Good Agricultural and Environmental Condition (GAEC) and comply with a number of Statutory Management Requirements (SMR) relating to the environment, public and plant health, animal health and welfare, and livestock identification and tracing.

### Payment Rates

Payment rates are differentiated to reflect the differing levels of severity of permanent natural handicap experienced within the SDA and is differentiated as follows:

- SDA land
- SDA Common/SDA Moorland

The different payment rates for moorland and commons are set to avoid overcompensation. Land within the moorland line has more limited agricultural use: the pattern of husbandry in moorland areas involves grazing relatively small numbers of animals over large areas, at low stocking densities. Farms are larger than equivalent enterprises on more favoured land, and higher area payment rates would effectively over-compensate for natural disadvantage. Common Land too is frequently of limited agricultural use, even outside the moorland line. The right to use commons also carries with it little in the way of financial burdens so a lower rate of aid is needed to avoid over-compensation. The rates are also intended to offer protection against possible future land abandonment.

The calculation of HFA is based upon two elements – basic area payments and any optional environmental enhancements.

#### For HFA 2008:

Land classification	Payment rates
SDA Moorland	£ 14.12/ha
SDA Common Land	£ 14.12/ha
Other SDA land	£ 37.31/ha

Over-compensation is further avoided by paying the full rate of area aid only on the first 350 ha. The following 350 ha receive half rate payments. Land in excess of 700 ha receives no payments.

Payments may be increased through environmental enhancements for farmers who meet certain environmental criteria. The basic payment will be increased by 5% if a farmer meets one of the criteria or by 10% if both criteria are met.

The criteria are:

- to maintain at least 1 ha or 5% (whichever is the smaller) of the eligible SDA land under arable cover that is not receiving other financial support and was not converted from permanent grassland in or after 2003;
- maintain at least one ha or 5% (whichever is the smaller) of the eligible SDA land under woodland cover that is not receiving other woodland financial support and was not converted from permanent grassland in or after 2003.

These enhancements are intended to incentivise the management of upland woodland and the maintenance of small areas of arable land in predominantly pastoral areas, which has been shown to be beneficial to farmland birds.

*Article 15(3)* of Council Regulation (EC) 1257/1999 sets minimum and maximum levels of compensatory allowances of €25/ha and €200/ha respectively. The maximum limit of €200/ha is respected because no payment rate for any of the designated land types exceeds this level.

The payment rate for SDA land outside the moorland line and Common Land exceeds the minimum rate of €25/ha. The rate for SDA land within the moorland line and for Common Land is set below this limit. This may have the effect that the average payment received by a producer whose holding lies predominantly within the moorland line, or depends to a much greater extent than is usual on Common Land, falls below €25/ha. This is acceptable because it falls within the circumstances set out in the footnote to the annex referred to in *Article 15* and accords with *Article 15(1)* in avoiding overcompensation.

### **The Way Forward**

The Rural Development Programme for England 2007 – 2013 will continue the HFA through until 2010. From 2008 the HFA has been limited to SDA farms only, by removing support from DA farms.

In 2006, a consultation took place on the future of uplands support. Following this, it was announced in December 2006 that the Hill Farm Allowance would end, and that from 2010, uplands support would be integrated into Environmental Stewardship. Ministers have since confirmed that this will be achieved through a specific uplands strand of the Entry Level Stewardship scheme - Uplands ELS, the details of which were announced on 18 December 2008.

The change from the HFA to Uplands ELS will require a period of adjustment for hill farmers. To help with this transition, the HFA will be extended for one further year, so that farmers receive their last HFA payment in 2010 (rather than 2009, as originally announced). Uplands ELS agreements will start from 1 July 2010. There will also be an uplands transitional payment from 2011 onwards for those farmers who farm on land with an ESA or CSS agreement *and* who claim the HFA in 2010. This is to avoid penalising those farmers who will be ineligible for Uplands ELS until their existing agreements expire (due to double-funding rules). The uplands transitional payment will be broadly similar to the HFA.

The objective of Uplands ELS is to ensure that public expenditure for maintaining upland farming is targeted directly towards the provision and maintenance of wider public benefits – in particular, environmental and landscape benefits; and to move away from the compensatory nature of the HFA.

Defra has worked closely with Natural England and other stakeholders in developing the proposals for Uplands ELS. These were consulted on over the summer of 2008 and tested on 66 hill farms around the country. A number of

changes were subsequently made to the technical detail of Uplands ELS to make it more practical and attractive to farmers, whilst still making a significant contribution towards its environmental objectives. These changes responded directly to the views expressed by stakeholders and the hill farming community.

### **(B) SCOTLAND – Less Favoured Areas Support Scheme**

85% of agricultural land in Scotland is designated LFA. The Less Favoured Areas Support Scheme (LFASS) pays out to 12,500 hill farmers and crofters. The scheme supports farming and crofting businesses in upland and remote areas in order to compensate for difficulties they face due to physical conditions and distances to suppliers and markets. It is a major contribution to business viability in these areas. Financing of the Scheme amounts to £61 million per year.

#### **Eligibility Conditions**

To qualify for LFASS 2007-2009 an applicant must:

- Be a farmer or crofter.
- Be at least 16 years of age.
- Have declared at least 3 ha of eligible land.
- Actively farm Scottish LFA land for the greater part of the year (for at least 183 days, or periods totalling 183 days).
- Meet all cross compliance requirements on all the land declared in the Single Application Form.
- Allow Rural Payments Inspection Division or agents (or any EC institutions, their staff or representatives) to enter the farm(s), to inspect land, animals, relevant equipment and farm records at any reasonable time to check that scheme rules are being met.
- Co-operate with inspectors and give reasonable help during any inspection.
- Undertake to farm at least 3 ha of LFA land for at least 5 years from the date of the first LFASS payment.

### Payment Rates

Land Category	'Standard' areas with lower transport costs	'Fragile' mainland areas of disadvantage and higher transport costs	'Very fragile' island areas
	Cost/Adjusted Ha (£)		
More Disadvantaged Land	37.80	45.00	51.70
Less Disadvantaged Land	32.50	39.50	45.65

A minimum payment of £385 will be available to everyone eligible for LFASS. The principle behind the scheme is to identify eligible ha according to land use and designated grazing categories. Eligible ha will be adjusted to take account of:

- Ineligible non ring-fenced dairy land;
- Minimum and maximum stocking densities; and
- The enterprise mix ha multiplier.

Land will also be adjusted by the appropriate grazing category multiplier. From 2008 the LFASS application will be included in the Single Application Form (SAF) for the same year.

### The Way Forward

It is proposed that the over-arching rationale for the Less Favoured Areas Support Scheme in Scotland, under Axis 2 of Council Regulation (EC) 1698/2005, should be based on the arguments that:

- LFAs are an important feature of land use in Scotland, where they cover 85% of agricultural land;
- land management in these areas faces significant physical and climatic handicaps, often exacerbated by difficult access to suppliers and markets. Some 12,500 farms and crofts currently depend upon wholly or partly on LFASS payments to maintain their financial viability;

- active management of this land is necessary for the delivery of the environment and countryside objectives of Axis 2 of the RDR (which are enlarged upon, in a Scottish context, in the Rural Development Strategic Plan);
- support payments are essential to maintain traditional agricultural landscapes through the continued active management of agricultural land. (*Article 37* of Council Regulation (EC) 1698/2005, states that these LFASS payments should compensate for farmers' additional costs and income forgone in relation to the handicap for agricultural production in the area concerned).

The Scottish Rural Development Programme (SRDP) states that the impact of LFASS and agri-environment measures in the LFA will be monitored and reviewed by the end of 2009. The purpose of the review is to propose changes to LFASS that will help it deliver its long-term objectives, as described above. The objectives of the review are (in line with the objectives of the scheme) to assess:

- (i) the impact of the interim scheme on the environmental benefits associated with continued livestock farming in the LFAs;
- (ii) the impact of the interim scheme on the social and economic benefits associated with maintaining agriculture in the LFAs; and
- (iii) the geographic distribution of the environment, social and production (economic) impacts of the interim scheme.

Based on the findings against the objectives above, the review will help inform the redesign of LFASS post-2010, taking into account the legal requirements of the RDR, commitments that have been made under the SRDP 2007-2013, and relevant conclusions from the CAP Health Check. The review will be overseen by the LFASS Stakeholders Group and is due for completion early in 2009.

Running concurrently was the consultation exercise on the LFASS for 2010-2013. The Consultation paper <sup>110</sup> was launched by Richard Lochhead, Cabinet Secretary for Rural Affairs and the Environment during a Parliamentary Debate: Less Favoured Areas, on 18 September 2008. The consultation period closed on 19 December 2008.

### **(C) WALES – Tir Mynydd**

Approximately 80% of the agricultural land in Wales is designated LFA with 56% of the land in the SDA and 23% in the DA. Tir Mynydd is paid on about 1,013,434 ha: roughly 793,204 ha in the SDA and 220,229 in the DA. The Tir Mynydd budget was £24 million for the 2007 scheme, £29 million for the 2008 scheme and will be £25.5 million for each year 2009-2012.

Since 2001, the scheme has been delivered as a measure under the Rural Development Plan (RDP). The objective of the scheme is to support and maintain livestock production in the LFAs in order to avoid land abandonment and rural depopulation.

The Tir Mynydd scheme for 2007 to 2009 comprises an area-based payment per hectare of eligible forage land that lies within the Wales LFA. Payments are calculated with a 60/40 payment differential between the SDA and the DA. In addition for the 2008 scheme only the Commission have requested the introduction of a grazing enhancement payable to farmers who have a mix of beef cattle and sheep within specified limits for livestock densities.

### **Eligibility Conditions**

For the 2007 scheme applicants must have satisfied the following eligibility criteria:

- completed a valid Single Application Form indicating that they wished to apply for the Tir Mynydd scheme.

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<sup>110</sup> <http://www.scotland.gov.uk/Publications/2008/09/17083528/0>

- submitted their application on the prescribed form – 2007 TM - within the stated time-scale.
- farm no less than six ha of eligible forage land in the LFA.
- comply with Cross Compliance.
- give a written undertaking to continue farming at least six ha of eligible forage land for a period of five years from the date of the first compensatory allowance payment.

For the 2008 scheme applicants must satisfy the following eligibility criteria:

- submitted a valid 2007 Single Application Form and completed the relevant parts of the form to apply for the 2008 TM scheme.
- farm no less than six ha of eligible forage land in the LFA.
- comply with “Cross Compliance”.
- given a written undertaking to continue farming at least six ha of eligible forage land for a period of five years from the date of the first compensatory allowance (i.e. the Tir Mynydd scheme payment).

New grazing enhancement payment for the 2008 Tir Mynydd Scheme only. To qualify for the mixed grazing enhancement a mix of sheep and beef cattle (no dairy) is required with a stocking rate of between 0.2 and 1.2 livestock units per ha. The stocking density level for the 2008 Tir Mynydd enhancement will be calculated on the basis of the numbers of sheep and beef cattle declared in question 14 of section 5 of the 2007 Single Application Form. The livestock units to be used is 0.15 for sheep and 0.60 for beef cattle and the area will be that which qualified for the main Tir Mynydd payment following the reduction of any land determined for dairy cattle.

### Tir Mynydd 2009 scheme

The scheme criteria to include a minimum stocking requirement of 0.1 LU/ha where a sheep equates to 0.15 LU and a beef animal over 6 months equates to 0.6 LU.

- Applicants must submit a valid 2008 Single Application Form and complete the relevant parts of the form to apply for the 2009 TM scheme and submit within the permitted timescale.
- Applicants must farm no less than six ha of eligible forage land in the LFA.
- Applicants must be a sheep and/or beef cattle producer (i.e. not including exclusively dairy producers).
- Applicants must maintain a minimum stocking density of 0.1 LU/ha on their holding, unless a lower stocking density is required by agri-environment measures or other recognised environmental prescriptions, for example on designated sites. For example an applicant on a 100 hectare unit must own at least 10 livestock units (100 x 0.1).
- Applicants must comply with “Cross Compliance”.
- Applicants must have given a written undertaking to continue farming at least six ha of eligible forage land for a period of five years from the date of the first compensatory allowance (i.e. the Tir Mynydd scheme payment).

### Payment Rates

The indicative payment rates per hectare for 2008 and 2009 onwards are set out below. These rates were approved by the Commission in February 2008 as part of the approval to the RDP 2007-2013. It is important to note that these rates are indicative and influenced by exchange rate changes.

Land classification	2008* £/hectare	2009 onwards £/hectare
SDA	30	30
DA	19	19

\*Excludes grazing enhancement.

The 2008 grazing enhancement amounts to £9.30/ha in the SDA and £3.10/ha in the DA.

A stepped taper is applied to payments in order to ensure that the risk of over-compensation of the largest holdings does not occur. The taper does not apply up to and including the first 140 ha of eligible forage land on a holding. For holdings of over 140 ha, payments on eligible forage land on that part of the holding in excess of 140 ha, up to and including 640 ha, are reduced by 35%. For holdings of over 640 ha, payments on eligible forage land on that part of the holding in excess of 640 ha are reduced by 70%.

Land used for milk production is not eligible for Tir Mynydd payments. An applicant's available milk quota held on 31 March 2006 for the 2007 scheme 31 March 2007 for the 2008 scheme and 31 March 2008 for the 2009 scheme has been/will be converted into forage area and deducted from the total forage area.

### **The Way Forward**

The Tir Mynydd arrangements, and funding, post-2009 must be seen as interim given the on-going review of the Axis 2 measures provided under the Rural Development Plan for Wales 2007-13. Also, the long awaited proposals from the Commission on criteria for re-designating LFA boundaries in 2010 will impact on the future arrangements for LFA support.

### **(D) REPUBLIC of IRELAND: Disadvantaged Areas Scheme**

The 2009 Disadvantaged Areas Scheme (DAS) forms part of the Rural Development Programme 2007 to 2013, during which cumulative expenditure under the Scheme will reach €1.8 billion.

It is expected that 102,000 farmers will benefit under the 2009 Scheme. Farmers wishing to benefit under the 2009 Disadvantaged Areas Scheme are required to submit an application under the 2009 Single Payment Scheme, by the closing date of 15 May 2009.

Farmers in the Scheme face significant hardships deriving from factors such as remoteness, difficult topography and poor soil conditions. They tend to have lower farm productivity and higher unit production costs than farmers in other areas. Without financial support, these lower returns from farming would pose a major threat to the future viability of these farming communities. The old animal headage schemes (cattle, sheep, goats and equines) were replaced in 2001 by the payment of compensatory allowances under the area-based Disadvantaged Areas Scheme. The objectives of the scheme are:

- ensure continued agricultural land use, thereby contributing to the maintenance of a viable rural society;
- maintenance of the countryside;
- maintenance and promotion of sustainable farming systems, which in particular take account of environmental protection requirements.

Disadvantaged Areas are classified as:

- More Severely Handicapped (Lowland) (MSH)– 4.075 million ha
- Less Severely Handicapped (Lowland) (LSH), which includes Coastal Areas with Specific Handicaps – 1.080 million ha
- Mountain Type Grazing – 1.501 million ha (within the MSH and LSH areas)

The total area now designated as less favoured is 5.155 million ha and comprises almost 75% of Ireland's total land area.

### **Payment Rates**

The 2009 Disadvantaged Areas Scheme provides for payment up to an overall ceiling of 34 forage ha as follows:

- €109.71 for each of the first 10 ha of Mountain Land;
- €95.99 for each of the next 24 ha of Mountain Land;
- €95.99/ha on More Severely Handicapped Lowland;
- €82.27/ha on Less Severely Handicapped Lowland and on areas with Specific Handicaps.

Where an applicant farms a combination of the above types of lands, he/she will be paid within the overall payment ceiling of 34 ha on Mountain Type Grazing firstly, on More Severely Handicapped (Lowland) secondly and on

Less Severely Handicapped (Lowland) thirdly, so as to maximise the amount payable.

### **Eligibility Conditions**

To be eligible for the DAS, farmers must;

- Be a person aged 18 years or over who holds a valid Herd Number issued by the Department of Agriculture, Fisheries & Food.
- Occupy and farm a minimum of 3 ha of forage land in an area of the State designated as a disadvantaged area by the Minister for Agriculture, Fisheries & Food.
- Undertake to remain in farming in a disadvantaged area for 5 years from the first payment under the Disadvantaged Areas Scheme.



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