

## 1. INTRODUCTION

Northern Ireland has a land area of 1,354,200 hectares (ha). Of the Utilised Agricultural Area (UAA) of 1,028,500 ha, approximately 70% is designated as Less Favoured compared with an EU average of 57%, and a UK average of 47%.

Current support for Less Favoured Areas (LFAs) is a discretionary option under Council Regulation (EC) 1257/1999<sup>1</sup>. The Less Favoured Areas Compensatory Allowance (LFACA) Scheme is one of 18 Measures that form the current Northern Ireland Rural Development Programme (NIRDP) 2007-2013<sup>2</sup>. The LFACA Scheme provides dedicated support to beef, sheep, deer and goat producers, who farm in the LFAs, in recognition of the difficulties they face farming these areas and the role that they play in maintaining the landscape and rural communities.

The current LFACA Scheme provides a budget of around £22 million per annum for area-based payments to approximately 13,500 recipients in the LFAs. These recipients also receive annual payments of around £115 million from the Single Farm Payment Scheme (SFPS). As a group, these recipients are significant beneficiaries of the existing agri-environment schemes, which formed part of the Rural Development Regulation Plan (Accompanying Measures) 2000-2006 and whose on-going commitments are met under the NIRDP 2007-2013, particularly the Environmentally Sensitive Areas (ESA) Scheme, which alone provides around £3.4 million per annum.

### 1.1 The Need for a Review

In recent years, there has been much debate about the role of the LFA support mechanism, its contribution to supporting the rural economy and the role it plays in maintaining the landscape and biodiversity value of these areas. CAP reform, in particular, has had major implications for the operational aspects of the LFACA Scheme, as well as posing significant questions for the future of LFA support when considered alongside the SFPS.

---

<sup>1</sup> OJ L 160, 26.6.1999 p 80.

<sup>2</sup> [http://www.dardni.gov.uk/nirdp\\_2007-13](http://www.dardni.gov.uk/nirdp_2007-13).

For many farms, the decoupling of agricultural support has led to a re-assessment of the future direction of the farm business. These choices can be particularly difficult in the LFAs, where almost by definition a reliance on market returns alone could make it very difficult to sustain agricultural activity.

Therefore, the reasons for conducting a review of the support arrangements for LFAs at this point in time are multiple. It has been prompted, in part, by the significant changes brought about by the decoupling of agricultural support (both in terms of the economics of livestock production and the fact that the current LFACA Scheme was built, for administrative purposes, on the back of the Suckler Cow Premium and the Sheep Annual Premium Schemes). It has also been prompted by the change in the EU legislative base for the Scheme (to be implemented from 2010), whereby socioeconomic considerations, which feature in the current approach, will no longer form part of the scheme objectives. This legislation also requires future LFA support payments to be linked more clearly to compensating for the additional costs incurred and income forgone of those farming in the LFAs, and to be degressive above a threshold level of area per holding.

Further, according to the implementing rules of the Financial Regulation applicable to the general budget of the European Communities (Council Regulation (EC) 1605/2002<sup>3</sup>), the results of all measures which carry budgetary implications should be evaluated every six years. In 2004, total public expenditure on LFA allowances across the EU amounted to €3.106 billion, including €1.561 billion from the European Agricultural Guidance and Guarantee Fund (EAGGF)<sup>4</sup>. The significance of the level of public expenditure on the LFA measure confers a clear obligation to evaluate whether public monies are being deployed in an efficient and effective way.

---

<sup>3</sup> OJ L 248, 16.9.2002.

<sup>4</sup> Cooper, T., Baldock, D., Rayment, M., Kuhmonen, T., Terluin, I., Swales, V., Poux, X., Zakeossian, D. and Farmer, M. (2006) *An Evaluation of the Less Favoured Area Measure in the 25 Member States of the European Union*. A Report prepared by the Institute of European Environmental Policy for DG Agriculture, November 2006.

Last but not least, the current approach to LFA support has not been subject to an in-depth evaluation by DARD since its change to an area-based regime in 2001.

