

## **EXECUTIVE SUMMIN' AP**

This review o' heftin arrangements fer Less Favourit Airts (LFAs) hes brocht thegither a braid range o' evidence tae leuk aa (i) the particular characteristics o' LFAs at set thaim apairt fae ither airts, (ii) gif thae hannlins ir needfu' o' government ection an, gif they dae, (iii) quhat foarm thon ections micht tak'.

Thair ir a wheen o' reasons fer daein the review the noo. Yin bes at hit bes guid prattick fer government tae leuk intae hit's policies an missures tae wrocht oot gif they still ansuer an oangaein need, ir richtly airted an' gie value fer catter. I the caase o' LFA Compensatin' Allowance (LFACA) Scheme thair hasnae bein a review sine the decouplin' o' fairmin hefts an' the baag changes at thon brocht tae the economics o' rearin' stock. The ither main reason fer the review bes the apcummin change in the EU laa governin' the Scheme (at bes expectit tae bae brocht in fae 2010), quhar social an' economic considerations, at ir pairt o' the approach the noo wul nae mair bae pairt o' the Scheme's objectives. Thon new laa wul need forebye futtur LFA heft payments tae bae linked mair clearly tae compensatin' fer the extra costs met an' earnins gien ap bae thaim fairmin i the LFAs. The amoont o' hefts maun faa i value abeen a threshauld amoont o' lan' per fairm.

Neir 70% o' Norlin Airlan's fairm lan' bes designated es less favourit the noo. Thair ir twa types o' classification: gyely disadvantaged airt (SDA), maakin ap aboot 480,000 ha, an disadvantaged airt (DA) maide ap o' aboot 300,000ha.

The LFACA scheme gies about £22 million o' hefts ivry yeir tae beef, schein, deer an' goat producers tae recognise the hannlins they face i fairmin thae airts an' the roull at they pley i keepin' ap the lan'scape an' kintra communities. Hit bes yin o' the 18 missures at mak' ap the Norlin Airlan Kintra Forderin Programme 2007 – 2013.

I this review the beckgrun an' roull o' LFA hefts hes bein leuked aa i depth, maakin mich uise o' available wittens an' paipers adae wi' the LFAs forebye economic models tae leuk aa the impact o' LFA hefts oan fairm businesses. A clatter o' environmental monitorin' wittens wus uised forebye tae leuk aa the environmental significance o' LFAs.

The analysis alloos at the caase fer future hefts fer LFAs nicht bae based oan the fact at sustainable fairmin maks an keeps ap valuable habitats an' lan'scapes (at ir environmental public guids) i an effective wie. The laafu basis fer LFAhefts ayont 2010 – Cooncil Regulation (EC) 1698/2005 – maks hit clear at the purpone o' onie futire LFA heftin maun bae tae heft i the apkeep o' kintra airts bae the oangaein uise o' fairm lan' an' forebye tae cairry oan an' heft sustainable systems o' fairmin. Government investment i tims tae cum i LFA hefts shud, thairefore, bae biggit oan evidence tha'

- Fer fairmers tae cairry oan fairmin i the LFA airts, government ection bes needfu' an' at wi'oot hit thair wud bae a baag faa'in aff i fairmin, wi' the loass o' environmental public guids at wud gae wi' thon, fer example i terms o' biodiversity an' lan'scape.

- I ither wurd's thair maun bae a public benefit fae heftin LFA fairmin at wudnae itherwise bae gat;
- Government fundin' bes the maist fittin' wie o' getting the ootcum at bes wanted, an' at peyment tae compensate fairmers fer extra costs met an' incum gien ap maun relate tae the hannlins faced bae thaim fairmin i the LFAs; an
  - Thair isnae onie duplication wi' fundin fae ither sources. I perticular, onie LFA missure tae cum maun bae shewn tae bae differ fae the Single Fairm Peyment (SFP) an' fairmin-environment missures an' bae fit tae gie simthing o' velue at thae ither missures cannae gie.

Fairmin i Norlin Airlan hes hed baag changes owre the las' twenny yeirs wi' less fairms an' fairmers, baager fairms an mair pairt-tim' fairmin linked wi' aff-fairm waark. The LFAs havnae bein cut aff fae thae effects, bit the evidence shews at structural adjustment wus maist slow i the SDA, an' the gap atween the average fairm business size i the SDA an ither airts (DA an' laighlan') hes bein getting' baager.

The feck o' Norlin Airlan's suck coos an' breedin schein ir fairmed i the LFAs. The clies an' weather o' the SDA mean at thair ir onie a wee when o' wies o' fairmin ayont kine, (maistly suck coos) an schein rairin at can bae carriet oan. The evidence shews mair an' mair concentration oan thae cless o' fairms owre the las' when o' yeirs tae a point quhar kine an' schein fairms noo mak' ap 90% o' fairms i the SDA. Hooiniver thair isnae mich catter i suck coo an schein production i the SDA an the fairmin incums o' thae fairms ir gyely hefted bae the existence o' LFACA payments.

I the DA na' laighlan, lan' qualitie an' weather alloo fer a baager chuse o' clesses o' fairmin an' mair productivity. Thon hes allooed, an' wul cairry oan allooin, fairmers i thae airts tae adjust thair consirns an' wies o' waarkin tae tae respond tae economic pressures an' chansts. Thon level o' flexibility dusnae exist i the SDA, quhar fairms irnae es baag an' profits ir mair likely tae bae hit bae wee adverse movements i inpit costs an' ootpit prices.

Activity levels oan SDA fairms (i terms o' nummers o' kine an' schein) hae fell beck tae quhar they wur twenny yeirs sine an' cairry oan faa'in, quyhles baag rises i stock nummers hae tuk place i the DA an' laighlan'. Sae hit's clear at leukin forrit, the futtur o' fairmin activity i the SDA wul face ap tae the baagest challenge an' keepin' ap activity i thae airts wul bae haird tae dae.

The evidence gien i this report shews at the distance fae Bilfawst hes a baager impact oan levels o' deprivation than lan' classification i onie gien airt. Thon, thairefore, alloos at the LFACA scheme we hae noo bes a purily airted wie o' heftin hoosehoulds wi' wee incums (gif thon wur tae remain yin o' hits objectives).

The evidence shews at structural changes hae tuk place i the LFAs (an' the baager fairmin industry) tae mak' less the effects o' wee fairm incums at ir differ aa yeir an' fae yeir tae yeir. Theday incums o' fairm hoosehoulds depend less oan fairm profits nor they did twenny yeirs ir mair sine. Mair fairmers, maistly oan wee fairms, hae ither wies o' maakin incum an' thon leaves thaim exposed less tae the 'aps an' doons' o' fairm meercets. Meercet an' structural

changes in place in farming have to cope with the economic pressures that farmers and farm households face.

Airns designated as LFA are, mainly, of high environmental value. Airns designated as AONB, Natura 2000, SAC, Ramsar sites, ASSIs and SPA are mainly in the SDA. These are for the SDA as a high environmental asset for Northern Ireland. Much of the landscape and biodiversity has been shaped and kept up by farming.

Active farm land management is a sustainable way to be given the importance of the future environmental health and character of the airns. If it is allowed that society has consigned about the future environment and that the environment has been shaped and kept up as an outcome of farming, then it follows that government must have an interest in that activity continuing. There must be a real benefit if there is a risk of loss of profits and the risk is borne by the airns where the environmental gains are being made by farming in the best way.

Economic modelling has shown that:

- LFACA will not change farming activity or behaviour;
- Without LFACA the suckler business will likely stop and farms will have to make do with their own milk;
- A mixed livestock bonus can have good outcomes in helping mixed grazing to continue elsewhere, particularly on poorer ground;
- Without LFACA payments the amount of land used for conacre could be less, and it is possible that some conacre ground might be abandoned and not farmed by another farm owner;

- The influence o' LFACA oan fairmin incums an' activity bes mair merked i the SDA; an'
- A brekeven flet rate peyment o' £39/ha bes needfu' tae stap lan' bein' abandoned. A baager peyment nor thon bes needfu' tae gie an ectual incentive tae fairm the lan'. A supplement o' £10/ha bes needit tae mak' siccar at mixit grazin bes carriet oan.

Fae an equalitie perspective, the fairmin industry i Norlin Airlan bes maistly carriet oot bae aulder men. Hooiniver thair isnae onie differ quhan compeerin the aiges o' fairmers fae wi' in the LFA wi' thaim fae wi'oot hit. Thair ir distinct differs i the community beckgrun o' fairmers bae type an' size o' fairm. Fairmers i the SDA ir maistly Catholic an' thaim i the laighlan maistly Protestant, wi' an even split i the DA. We cannae fin' onie evidence tae alloo at thair ir onie equalitie issues adae wi' racial group, sexual airt, marriet ir no, atween fowk wi' dependants an' thaim wi'oot ir atween fowk wi' a disablement an' thaim wi'oot.

The key messages cummin fae oor stakehaulers ir tha':

- LFA support bes needfu' fer oangaein fairmin i disadvantaged airts;
- Wi'oot thae hefts thair bes a real risk o' lan' bein' abandoned;
- Fairmin gies baag environmental benefits – a key issue;
- The challenges an' the risks o' lan' abandonment , ir baager i the SDA; an
- Hefts maun bae airted aa active lan' managers.

Gien the change tae cum i the EU policie an' laa governin' LFA hefts, hit's clear at the scheme we hae the noo cannae cairry oan wi'oot changes. Fae 2010, LFA hefts, at bes an optional pairt o' the Kintra Forderin Programme wul (subject tae anither ect o' Cooncil) bae governed bae Cooncil Regulation (EC) 1698/2005. Thon wul bring about thrie baag changes compeered wi' the regime we hae the noo:

- (i) LFA hefts wulnae persue socioeconomic ootcums. The LFA missure noo bes apart o' the environmental Axis o' Pillar II o' the CAP an' hits specific roull bes tae contribute tae *keeping ap the kintraside bae the oangaein uise o' fairm lan'an' forebye tae keep ap an' heft sustainable systems o' fairmin. Fitness maun bae onie based oan natural disadvantage.*
- (ii) LFA hefts wul nae langer bae fixit aa a level at maks a contribution tae compensatin' fer the hannlins incurred. Instead payments shud compensate fer extra costs incurred an incum not maide adae wi' the natural disablement fer fairm production i the airt consairned.
- (iii) Peyments unner onie LFA heftin regime tae cum maun bae digressive abeen a threshauld level o' area per fairm (i ither wurds the rate o' peyment per hectare shud bae less abeen a certain size o' fairm.

Thairfore the futtur o' LFA hefts bes aa a croassroads. Hits clear fae the evidence gien at thair ir environmental questions an' socioeconomic considerations cummin fae a change tae the heftin system at we hae the noo, bit thon scheme cannae cairry oan ayont 2010. Thairfore i movin' forrit, options maun bae leuked aa

an' chuses maide at ir (i) based oan the evidence tae han', (ii) ir airted aa the hannlins at extend intae the futtur, (iii) can bae addressed bae targeted government ection an, (iv) tak' richtfu accoont o' equality an' kintra proofin' issues.

Chapter 12 o' the report sums ap the evidence pit doon i the chapters afore an' gies fower chuses fer futtur hefts. Thon ir:

- Option 1. Enn the Scheme - thon means at LFA hefts wud stap sim tim' i the futtur.
- Option 2. Shift LFA fundin' wi'in NIRDP 2007 -2013 tae target competitiveness/quality o' kintra lif' i socially an' economically backward airts – thon means at the catter wud bae uised tae invest i the competitiveness o' fairms an' ither businesses, tae mak' betther qualitie o' lif fer fairmers an' ither fowk lee'in an' waarkin i the kintra airts an' tae heft i developin' thair skeels.
- Option 3. Shift LFA fundin' tae agri-environment missures wi'in NIRDP 2007 – 2013 – thon wud hae the ootcum o' catter bein' uised tae mak' baager the Kintraside Management Scheme an' heft fairmers tae manage the kintraside i a wie at bes guid fer keepin' ap plant an' animal lif'.
- Option 4. Airt LFA hefts oan the maist naturally disadvantaged airts – thon means at the catter wud bae uised fer a replacement LFA heftin scheme. The purpone o' a new scheme wud bae tae mak' siccar at fairmin carries oan i the maist disadvantaged airts an sae bield the habitats an lan'scapes at depend oan fairmin activity. The Scheme wud hae tae gae along wi' the conditions

o' the cummin EU laa, includin' an althered basis fer  
settin' the level o' peyment.

We welcum yer inpit an' ansuers tae oor consultation speirins.

