



29 May, 2009

Norman Fulton
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Department of Agriculture & Rural Development
Room 355
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Dear Norman

RE: RESPONSE TO CONSULTATION ON THE REVIEW OF FUTURE SUPPORT ARRANGEMENTS FOR LESS FAVOURED AREAS IN NORTHERN IRELAND

Thank you for your letter dated 5 March 2009 which sought views on the above consultation. The Ulster Farmers' Union (UFU) has now considered the review and proposals put forward in the consultation extremely carefully and wish to make the following comments.

BACKGROUND

1. The UFU is the largest farming organisation in Northern Ireland (NI) representing almost 12,000 farmers and welcomes the opportunity to respond to this very important consultation on the future support arrangements for the NI Less Favoured Areas (LFAs).
2. The LFA scheme is part of the NI Rural Development Programme (RDP) 2007 – 2013 (Axis 2) and is legislated under EU Council Regulation 1698/2005 paragraph 33 which within it states; 'Natural handicap payments should contribute, through continued use of agricultural land, to maintaining the countryside as well as maintaining and promoting sustainable farming systems'.
3. The Current Scheme objectives are
 - a. To contribute to the continuation of farming in the LFA and thus, to the maintenance of a viable rural community
 - b. To contribute towards the maintenance of the countryside
 - c. To promote the everyday use of good environmental practices complementary to maintaining sustainable farming
4. The UFU believe that the NI Less Favoured Area Compensatory Allowance (LFACA) scheme currently meets these objectives and will continue to do so as long as the active livestock farmers continue to receive support from the scheme.
5. In responding to this consultation the UFU will be commenting on the future support arrangements for LFA's in NI however there is also the ongoing European Commission

review on the future designation of LFA's across Europe. In April 2009 the European Commission indicated that a new LFA classification system will likely be in place from 2014 onwards. The UFU would therefore not wish to see any changes to the current NI LFACA scheme until 2014.

ISSUES, EVIDENCE AND CONCLUSIONS OF THE REVIEW

- *Are you content that all of the relevant issues have been captured and adequately explored?*

6. The review into NI LFAs Support Arrangements sets out to gather a broad range of evidence from which to determine and assess the best approach to future support in LFAs.
7. The UFU believe that there are many issues that affect and relate to farming in NI's LFAs and the review has managed to capture the majority of these issues. When exploring and developing the best approach to future support in LFAs it is important to recognise the characteristics of farming in these areas. The review looks in depth at these characteristics including farm types, livestock trends and farm incomes which has helped to develop a greater understanding on the current situation for farming in these areas.
8. The review has also captured information relating to the outcomes of the current LFACA scheme including its contribution to the environment, bio-diversity and public value and gathered evidence to support these observations. Furthermore the Farm Business analysis of the LFACA scheme has helped gain an understanding of the importance of the LFACA scheme to farms across NI.

- *Are you content with the conclusions reached in the evidence chapters?*

9. The UFU believe the relevant evidence captured has in large supported the very existence of the current NI LFACA scheme.
10. Whilst the scheme's original eligibility criteria did reflect a social-economic objective it has since evolved and the review highlights the importance of the LFA scheme today at preventing land abandonment and the potential environmental problems associated. The declining trend in livestock numbers further highlights the significant challenge of maintaining sufficient livestock numbers in LFAs and Severely Disadvantaged Areas (SDAs) in particular. This trend is likely to continue and at a faster rate if the LFA scheme were to be removed and raises serious concerns over the future viability of farming in these areas.
11. **The Farm Business Income (FBI) figures go further to underline the financial difficulties faced on LFA farms** and the fundamental importance of the LFACA scheme. This is particularly relevant on farms in SDAs for whom the LFACA payment on average accounted for 40% of their total FBI in 2006/07. Despite the additional income support to these farms, their total average FBI was still lower than that of farms in lowland areas.

12. Farming in SDAs has also been shown to face significantly higher input costs and the review has highlighted that it takes on average 20% more input costs per £100 of output for land in SDAs when compared with Lowland area's or Disadvantaged Areas (DAs).
13. The UFU have on numerous occasions highlighted that farming in LFA's offers fewer options in terms of agriculture production and the fact that cropping accounts for only 1% of SDA land and 3% of DA land is evidence of this. Beef and Sheep Farming is the predominant enterprises in these areas and currently returns are very low. With little or no alternative many of these farms continually face the prospect of operating in a loss making enterprise.

- **LFA's and the Environment**

14. In the conclusions of Chapter 7, Characteristics of the LFA's, a key question is asked whether the reduction in agriculture activity in the LFAs, and the SDAs in particular, create problems that will not be addressed by market and structural adjustments and hence what benefits the LFA scheme provides for the environment.
15. The UFU believe that active farmers are vital to the maintenance of the environment in LFA's and the review has largely supported this view. The UFU would support one of the conclusions that active agricultural management in a sustainable manner will be crucial to the future environmental health and character of these areas. This has been backed up with evidence from a number of studies which have shown the benefits of livestock grazing. This is particularly relevant in LFAs where the environmental benefits from agriculture have been shown to be the greatest.
16. The UFU would support the view that an LFA support mechanism has a specific goal of securing the future existence of semi-natural habitats and traditional landscapes **by ensuring the continuance of sustainable agriculture activity** which would otherwise not be guaranteed. In essence it helps prevent land abandonment. The primary goal of LFA support should therefore be to ensure active farming in LFAs. More specific issues and problems within a particular area can be addressed through Agri-Environmental schemes.
17. The UFU believe that the survey by Queens University and the University of Ulster which revealed that 89% of those surveyed perceived farms and farming families as keeping the countryside alive indicates strong support from the general public to farmers managing the land.

REVIEW OF THE 4 OPTIONS

- **Options 1, 2 and 3 as Future LFA Support Arrangements**

18. **The UFU do not agree or support options 1, 2 or 3 as proposals** for Future LFA Support Arrangements. Evidence from the review clearly shows a continued need to support active farming in LFAs/future designated LFAs and neither of these options will sufficiently ensure this. It is clear from the evidence presented that the presence of farming in these areas helps maintain a sustainable environment.

19. The review has shown the significance of the LFACA payment to the overall FBI on the majority of farms in LFAs, particularly SDAs, and there obviously is a cause for concern as to what would happen many of these farms if future support arrangements no longer required active land management.
20. The UFU believe that option 3, which considers re-directing funding into Agri-Environmental (AE) Schemes, could actually have a negative environmental impact on LFAs/Future LFAs with the added factor of being more costly to administer. The UFU believe that AE schemes should remain distinct and look to build on the environmental benefits that the LFA scheme provides through active land management.

- **Option 4 – LFA support measure focussed on the most naturally disadvantaged areas**

21. The main objective of the current LFA scheme “to ensure the continuation of farming, thereby maintaining a minimum population level or conserving the countryside” has been shown to have been achieved however the difficulties faced in these areas continues to be faced.
22. For Future LFA Support Arrangements **the UFU support in principle option 4 of the review**; a support arrangement for future re-designated LFAs. The option would ensure sustainable use of agriculture land through active land management and compensates for farmer’s additional costs and income forgone related to the handicap for the agriculture production.
23. The UFU believe that targeting the future support arrangements through option 4 will ensure the scheme is easily administered, well targeted and that the requirements of regulation 1698/2005 are met.
24. **The UFU do however believe that a number of changes must be made within the option as highlighted in points 25 to 43.**

- **Reference to existing SDA**

25. The UFU recognise that the evidence provided in the review, particularly with regards to FBI, highlights the significant disadvantage of farming in SDAs in comparison with farming in a DA or lowland situation. Furthermore initial mapping exercises carried out as part of the on-going EU review on Future Designation of LFAs which looks at bio-physical criteria suggests that future LFA designation will be more aligned with current NI SDAs.
26. The UFU have said that it does not want to see changes introduced to the current scheme until 2014. As the future designated area is unlikely to make reference to SDA or DA the UFU would suggest that the proposed option 4 refers to the potential qualifying area as Future LFA designation only. Continued historical reference to SDA and DA should be removed to prevent confusion on the future qualifying area.

Mixed Grazing Bonuses and Common Grazing Rates

27. **The UFU would support future bonuses paid on mixed grazing systems.** The evidence within the review has shown the additional environmental benefits such as increased biodiversity and improved natural habitats a mixed grazing system can deliver.
28. **The UFU also support Common Grazing areas being paid the full rate.**

- Degrressive Payment Level

29. EC Regulation 1698/2005, Article 37, point 4 states that Payments shall be degressive above a threshold level of area per holding, to be defined in the programme.
30. Whilst there is a requirement for degressive payments **the UFU disagree with the proposed degressive rates of payments suggested under option 4.** The UFU believe the suggested rates within the review would be detrimental to the future of the industry for a number of reasons.
31. Firstly **the UFU do not agree with to the principle of degressive payments.** The future scheme requirements under regulation 1698/2005 are to no longer carry a socioeconomic element yet the UFU believe that degressive payments are a form of social support.
32. The proposed rate of degressive payments does nothing to reflect or encourage producers who want to become more economically viable through increased scale. The Red Meat Task Force Report in 2007 in which both Government and Industry were part of highlighted the importance of scale at improving efficiency. The UFU therefore feel that proposed degressive payment limits are at a level which will do nothing encourage necessary structural adjustment on farms within the LFA.
33. The evidence of the review shows that structural adjustment has been slowest in SDAs and that there and been a widening gap between the average farm business size in the SDAs when compared and with other areas (DA and lowland). A degressive payment at the limits set will not address this issue.
34. It has been estimated that a breakeven flat rate payment of £39/ha is required to avoid land abandonment and a supplement of £10/ha is required to ensure mixed grazing is practiced. The UFU believe that this is the same for a farm of 10 ha as it is for farm of 1000 ha.
35. **The UFU believe that the degressive level of payments proposed would result in a number of farms becoming fragmented in order to achieve the maximum returns from the scheme.**
36. **The UFU would propose that if there is a requirement for a degressive payment above a threshold level of area per holding then only 2 payment levels are necessary.** On commercially operated hill farms a larger scale of farm is required than to that of farms in lowland areas because of the extensive practices and lower stocking rates. The UFU therefore believe that the two rates set should be 10ha – 200ha and

200ha and above. The minimum payment on all land should be at least £40/ha as has been estimated in the review with a supplement rate set at 25% of the land payment rate.

- **Do you agree that the focus of future support should be the SDA (or any future designated LFA)?**

37. The UFU believe that the future support should be target to **support those who actively farm in the future designated LFA**. As stated before the UFU believe that any changes to the existing scheme must not be introduced until 2014. Therefore the focus on future Communication with the wider industry should be on future designated LFA and not on SDA.

- **Do you agree that applicants to the scheme should farm at least 10ha of land in total (of which 3ha must be in SDA)? If not what would you like to see as the minimum size and why?**

38. The UFU agree that applicants should farm at least 10 hectares of land and a minimum of 3ha of future LFA.

- **What are your views on the range of farm enterprises that would make a farm eligible for support?**

39. For many years the NI LFACA scheme has been a very important support mechanism to livestock rearing farms in the LFAs. Many of these farms have very little option but to farm beef and sheep given the conditions in which they farm. The UFU believe that these farms whilst best placed to deliver environmental outcomes for the scheme also remain as the enterprises under greatest financial risk. Land abandonment is a genuine risk in these areas and on these farms and therefore **future support should be target at breeding beef and sheep farm enterprises only**.

- **What are your views on the use of minimum and maximum stocking densities?**

40. The UFU believe that the current minimum stocking density at 0.2 LU/ha should remain (with allowances for those involved in specific AE schemes). Whilst in some cases a higher level may be preferable to ensure the entire area claimed is farmed on many hill farms a stocking density of 0.2 LU/ha is the maximum that can be farmed. These farms should not be forced to increase the intensity of their farming practice.

41. The UFU are concerned at the use of maximum stocking densities. It is felt that where a farm exceeds the qualifying maximum stocking density additional land could be rented to decrease the stocking density over the entire area. The UFU feel that maximum stocking densities would therefore be counter productive in that they would increase demand for land and in doing so, land rental values the area, which would have the greatest impact on extensively managed farms.

42. Within the proposal for option 4 it states that a maximum stocking density would be used to try and ensure that even within the SDA boundaries, we are not supporting intensively managed, better quality land. Within the EU Review for Future Designation the UFU have argued that if the future LFA area is designated correctly under the bio-physical criteria proposed there should be no need for a 2nd stage delimitation. The review on future support arrangements should not interfere with the future designated

area and therefore **the UFU do not believe that maximum stocking densities should be included in this option.**

- **What are your views on the use of a possible environmental option within an LFA scheme?**

43. **The UFU do not agree with a possible environmental option within an LFA scheme.** Any additional environmental enhancements should be done through or incorporated into the existing AE schemes. **The UFU are strongly opposed to the use of any of the LFA budget as an environmental enhancement option.** The UFU are extremely concerned at the suggestion to take a possible 5% of the total LFA budget (possibly £1 million per annum) of which would be taken from the 80ha+ payment bracket and made available to the basic 10-40ha bracket. This would yet further severely disadvantage those producers who would already have been adversely affected by the introduction of degressive payments.

- **Are there any other issues you would like to draw our attention to in the context of this review?**

44. The UFU believe that going **there would be advantages in the future scheme if a two tier land classification** (as with SDA and DA) was included. Whilst all land within the future designated LFA will face significant natural handicaps some areas these issues will be more severe and require higher levels of support.

45. The key objective for the LFA scheme going forward should be to prevent land abandonment and subsequent environmental consequences. The review has highlighted the environmental benefits the current LFA scheme has already delivered through sustaining active livestock farming in LFAs and it is vital that a similar non-bureaucratic scheme which can be efficiently and cost effectively delivered remains in place.

CONCLUSION

46. The UFU firmly believe that option 4, focusing LFA support on the most naturally disadvantaged **areas**, is the best means of targeting future support measures in LFAs.

47. Farm businesses in the LFAs are the most vulnerable in the industry and the scheme must focus on maintaining active farm practices in these areas to prevent potential land abandonment and the environmental consequences.

48. The UFU would again stress that as the support would be focused on the future designated naturally disadvantage **areas**, all farms should be treated equally whether they are a holding of 10ha, 100ha or 1000ha. Whilst the EC legislation 1698/2005 states that payments shall be degressive above a threshold level this level should not prevent the industry from developing through economies of scale (as highlighted in the Red Meat Task Force Report). Therefore we believe that it is imperative that the payment levels proposed are re-considered.

The UFU would like to thank you for the opportunity to respond to this vitally important consultation which affects many farmers across Northern Ireland. I trust that the UFU views on these important matters will be seriously considered.

Yours Sincerely,

Seamus Maginn

SEAMUS MAGINN
(UFU Hill Farming Committee Chairman)