Redesignation of Less Favoured Areas

Explanation and CLA initial reactions:
This is not a member endorsed response as it was requested for Monday 18/2

Country, Land and Business Association

- The CLA represents the interests of 37,000 land managers and rural businesses who between them own and manage 50% of all the rural land in England and Wales. These businesses are at the heart of the rural economy and create and enhance the beautiful landscapes and habitats that the public greatly enjoy visiting. Indeed within the LFAs a number of National Parks and Area’s of Outstanding Natural Beauty (AONB) reflect the importance that the public places in these managed landscapes. It is the land based businesses within the wider rural economy that provide the environmental and recreational benefits that are so valued by the population. The CLA are therefore very interested in the discussions concerning the redesignation of LFAs and have included their initial reactions to the questions recently posed by Defra at the ‘LFA Designation – England Workshop’. Please be aware that these views are subject to change pending member endorsement.

Background

- In England 2.21 million ha of land is currently within an LFA which is the equivalent of 17% of the utilisable agricultural area (UAA). All LFA land in the UK is declared under Article 19 ‘Other LFA land’. 66% of European LFA land is also designated under Article 19.

- In 2003 the European Court of Auditors reported that Article 19 area was ‘ill defined & considerably larger than other Article areas’. The Court underlined in particular that the ‘Member States use a wide range of indicators to determine whether an area is less-favoured or not. This variation in indicators as the result of different national priorities may lead to disparities in treatment among beneficiaries.’ The Court recommended a complete and in-depth review of the existing classification of LFAs as well as the development of a more appropriate set of indicators for identifying LFAs

- In 2005, the Council redefined LFAs (In Article 50 3(a) of the Rural Development Regulation as areas that should be

‘affected by significant natural handicaps, notably a low soil productivity or poor climate conditions and where maintaining extensive farming activity is important for the management of the land.’

I.e. the socio-economic link for keeping farming in these areas was removed and the LFA scheme was moved into Axis 2 of the Rural Development Policy 2007-13 signalling that LFA payments are to do with environmental delivery. However despite this intention, within this it was stipulated:

‘Natural handicap payments in mountain areas and payments in other areas with handicaps should contribute, through continued use of agricultural land, to maintaining the countryside, as well as to maintaining and promoting sustainable farming systems.’

which suggests a continued a socio-economic role for these payments.

- In 2005, the Council tried to create a set of indicators that could be uniformly applied across Europe but no agreement between MS could be reached.
The European Commissions Joint Research Centre (JRC) was tasked with developing a simple set of physical indicators that could be uniformly applied across Europe to redefine LFA areas. The Commission has launched a review exercise of the LFA scheme using these ‘indicators’ to ensure that Article 19 LFA areas are being uniformly identified across Europe. It is the intention that the support mechanisms for these areas will be reviewed alongside the actual areas and that the new system will be implemented from 1st January 2010.

Two JRC workshops in 2006 & 2007 examined the criteria and thresholds for the EU27. The final criteria were presented in November 2007 by DG Agri and JRC.

The new system could be based on Land Administration Units (parishes in England). It is currently drawn around ‘hard’ boundaries such as roads.

Alongside the Article 19 LFA review will be a review of payments and payment mechanisms by MS in LFAs.

Defra has proposed an alternative mechanism to define physical criteria for England LFAs, but this mechanism will significantly increase the area designated as LFAs in England.

**What are the proposed JRC criteria?**

<table>
<thead>
<tr>
<th>Physical criteria</th>
<th>Definition</th>
<th>Threshold</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temperature</td>
<td>Length of growing season</td>
<td>Less than 180 days</td>
<td></td>
</tr>
<tr>
<td>Heat stress</td>
<td>10 continuous days over 35°C</td>
<td>1 period</td>
<td>Orientated to central Europe – no change</td>
</tr>
<tr>
<td>Soil water balance</td>
<td>Ratio of actual and potential evaporation &gt; 0.5</td>
<td>&lt;90 days</td>
<td>Unclear how this will be measured</td>
</tr>
<tr>
<td>Drainage</td>
<td>Wetness class</td>
<td>Poorly drained – JRC class 3</td>
<td>Uncertainty over definition and how to measure Up to 3 million ha extra LFA land (SE &amp; E England)</td>
</tr>
<tr>
<td>Top soil texture</td>
<td>Coarse/fine</td>
<td>Sandy loam/clay</td>
<td>2.9 million ha extra LFA land in SE, E and Midlands</td>
</tr>
<tr>
<td>Topsoil stoniness</td>
<td>Volume</td>
<td>More than 40%</td>
<td></td>
</tr>
<tr>
<td>Rooting depth</td>
<td>To hard rocks/pans</td>
<td>&lt;30 cm</td>
<td></td>
</tr>
<tr>
<td>Slope</td>
<td>Over 8% (5°)</td>
<td></td>
<td>Nearer 19% (11°) at present</td>
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</tbody>
</table>

These combined factors could mean an extra 7,476,600 ha of LFA land (almost whole of England).

Any one of the JRC criteria could increase LFA area by 100%.

English LFA is closer to the mountain definition of LFAs but fails on altitude criteria (600-800m)
CLA comments on these preliminary results

The CLA reaction to this information is one of incredulity. It makes no sense at all to define 9.69 (=2.21+7.48) m Ha of England as Less Favoured. This would instantly make a nonsense of, and destroy the validity of, the concept. So an initial reaction is to ask that the specification of the thresholds and the analysis of the data be checked to see if there is not some gross error being made.

Thus for example it is well known that in terms of altitude England has rather small areas qualifying as mountainous compared to the Alps and Pyrenees, however we would have no doubt at all that the LFA designations in uplands of the Pennines, the Peak District, Cumbria and moors of the SW are correct. Thus applying an EU physical criterion does not produce the ‘right’ answer in England. For this reason it may be important to develop criteria which relate to the second part of Article 50, 3(a) that is to focus on the positive side of the concept of LFAs namely the extensive farming systems which are a vital part of the management of these semi-natural habitats and landscapes. Thus if we were to start from the landscape character and specifically the fact that they arise because of grazing management systems then we may have another way of arriving at an appropriate definition of Less Favoured Area.

The CLA is well aware of some potential problems of this approach, particularly that it leads towards linking LFA definition, and thence LFA payments, to particular farming systems, if not farming products, and might be thought as leading to a recoupling of supports to agricultural outputs. We have two responses to this.

First we would expect the definition to be based on landscape character or a land use designation (e.g. permanent grass, or grazing area) or High Nature value farming systems which are or could be practiced there. In these ways there is no direct relation to specific grazing animal species or outputs.

Second, it is not of our choosing that the areas have unfortunately been negatively labelled in terms of agricultural production potential. Less favoured, means less suitable for agricultural production, and land ‘suffering’ from permanent natural handicap means handicapped for agricultural production. The confusion is that these areas are tremendously favoured in landscape terms, and if appropriately managed by reasonably remunerative agriculture, for biodiversity and for resource protection too. It is deeply unfortunate that for years now the EU has chosen to focus on what this land is not very good for (agricultural production) rather than on what it is admirably suited for – cultural landscape. If this is accepted as a much more positive and rational way of thinking about this land then we should not be scared to define it in terms of the environmental high value rather than the agricultural poor value.

The CLA has no pre-conceived view of whether the redesignation of LFAs should produce a bigger or smaller area for England. We are however extremely concerned that the current deep recession in the upland grazing areas (as evidenced by the recent farm income figures released by Defra), may be entrenched and thus strong policy adjustments will be necessary if we are not to witness a severe depopulation of the hills of both livestock and farmers with the knowledge and skills to manage these vital areas. Redefined LFAs are certainly part of the solution, but we have to say that the UELS will not provide all the answers.

Defra have posed the following questions and scenarios

Please note Defra’s questions are written in blue with the CLA’s response written in black below it.
1) What would be the impact of an increased LFA?
   - An increased LFA could provide rural land managers with additional recognition for the important part they play in maintaining the countryside and providing Environmental Public Goods (a justification for Pillar 2 monies)
   - An increased LFA need not affect farming practices within these areas but could potentially signal to Europe a greater share of the CAP Pillar 2 funding for UK farmers delivering EU environmental goods. However if the area in LFAs were to significantly increase we may have to rethink the regions used for the Single Payment – this would not be easy.
   - Another concern could be the impact of the devaluation of land value if there was a huge expansion of the area designated as LFA.

2) Could funding still be directed to the SDA or should/would it be applicable more widely? For example, do we wish to continue with an "uplands" policy rather than extending it to a "disadvantaged area" policy? If it was a wider "disadvantaged area" policy, how would we distribute the LFA funding in those lowland areas not eligible for UELS? Impact on budget - dilution etc.

At present England has special authorisation to be able to sub-divide the LFA area into Severely Disadvantaged (SDA) and Disadvantaged Areas (DA) until 2010. From 2010 the Commission will be looking to see how funding is used in LFA areas. If as a result of this review Defra then has to apply funding across the LFA this could potentially make the very limited budget (£27.3 million) stretch very thinly and cause further depopulation of existing SDA areas.

There is no doubt that any significant extension of the area defined as LFA would necessitate a rethink of the whole support system – particularly the English Single Payment regionalisation. We strongly believe that these changes should not be brought in piecemeal without first having a very clear idea of where policy is going in the longer run. If Defra’s vision is still to abolish the Single Payment then we would probably argue for a large increase in LFA area and a large increase in LFA payments to have any chance of encouraging some grazing-based agriculture to remain in these areas. Whether this is brought about by more modulation (compulsory or voluntary) and thus expansion of Pillar 2 funds or by a switching of purpose and durability of Pillar 1 funds using Article 69 are issues to be debated in the Health Check and in the CAP Review. This requires considerably more discussion, and quantification of what environmental benefits we seek from the delivery of public goods within the LFA. At the same time we would have to consider the support necessary to maintain grazing systems in lowland areas too.

3) Should we propose to apply our own methodology (follow an Agricultural Land Classification (ALC) model that would probably maintain LFAs in the UK at a similar level) as opposed to the proposed European criteria?

   ALC modelling would use similar physical criteria to that proposed by JRC but the thresholds would be suitable for the UK. For example
   - Climate – based on accurate temperature/rainfall (per km²)
   - Land grades – 3b to 5
   - Soil wetness – 4-6
   - Slopes – greater than 19% (11°) – as defined now
   - Crop adjusted available water capacity (soil properties)
This could potentially increase the LFA area in England but by less than that proposed by JRC. The increase will be due to the significant areas of land outside the present LFA with similar physical disadvantage to those existing (usually soil & slope based).

Pros and con’s of ALC approach in England:

<table>
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<tr>
<th>Pros</th>
<th>Con’s</th>
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<tbody>
<tr>
<td>Designed for English climate and soils</td>
<td>Use of 1974 provisional map</td>
</tr>
<tr>
<td>Better criteria and cut-offs than JRC</td>
<td>Needs updating – climate, moisture deficits etc</td>
</tr>
<tr>
<td>Accepted by the industry</td>
<td>Funding for this??</td>
</tr>
<tr>
<td></td>
<td>Little detailed soils data on poorer land</td>
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</tbody>
</table>

This would ensure the resultant LFA designation was appropriate for England, but might it result in too much flexibility for Member States that might be abused? Could the Commission prevent that by ensuring there was a level playing field - for example, by imposing EU-wide criteria only (such as slope, climate etc) and require MS to justify the specific methodology and thresholds they used within those criteria?

It is important the UK does not ‘go it alone’ by following a separate methodology to other MS. This could potentially disadvantage UK farmers. It will be important that MS are entering a relatively level playing field and designating LFA areas using similar physical criteria suitable to their own conditions but this must be scientifically verified. However the quality of data available to each MS is likely to be variable (France has no soil data for example).

4) The implications of member states implementing their own classification of LFAs and the wider issue of whether more LFA land will eventually result in a larger share of the CAP pillar 2 budget

If we were to choose to maintain our existing LFA area but other member states (MS) increased their LFA areas, this could potentially limit the UK’s share of the CAP, particularly at a time when this is being directed towards delivery of Environmental Goods. The UK has a history of being very squeamish about making use of EU schemes which subsequently turns to our disadvantage when these optional measures are later used to measure the demand for support. It is the main reason we have such a small share of Pillar 2 funds. There are clear signs that if there is ever to be a redistribution of Pillar 2 core funds there will have to be some objective, EU wide criteria used. The percentages of land designated as LFA, as well as the percentage in Natura 2000 areas, or the area in organic farming are precisely the kinds of indicator likely to be chosen for such purposes. The UK must therefore be highly vigilant that we do not shoot ourselves in the foot again by taking a unilateral, highly restricted approach to LFA designation. Thus we start from a presumption that the Commission should adopt a strong methodology to ensure all MS designate areas using similar criteria.

5) Timing – in regards to implementing in 2010 & UELS implications

- This will be one of the first co-decisions for agriculture in that both the Council of Ministers and European Parliament will jointly agree on the policy.

- The Commission is meeting with Defra in early March and will be developing its proposals during the summer and taking forward proposals in November. This will then need agreeing by the Council of Ministers and European Parliament.
Defra will have limited time to implement the changes (the most significant of which could be the payment review). They will need to run a consultation, provide an appeals process, update IT etc.

This could significantly impact on the implementation of UELS due to be opened in early 2010. It has not yet been decided whether this strand will be built jointly upon the LFA directive & agri-environment directive or solely under the agri-environment directive of the RDP. The first proposal is more desirable for a variety of reasons but if LFA funding is then available to all of the LFA this could effectively cause the scheme to fail and prevent those most in need of the funding from receiving it. UELS could be delayed if resources are diverted into achieving the administrative burden mentioned above.

These timetables are not of our choosing. We think it is most important to get the principles right in how we define LFAs, particularly in relation to the evolution of the CAP post 2014. We strongly urge Defra to be very clear headed about this and consult thoroughly with the industry before decisions are taken. We do not want to make fast time-table driven decisions in haste which we repent for a couple of decades. LFAs will not be redesignated again for a very long time.

In Conclusion

- The CLA strongly recommends that Defra request that the specification of the thresholds and the analysis of the data for both the JRC & ALC criteria be reviewed, to ensure that a gross error is not being made when considering redefining 9.69 million ha of Less Favoured Areas in England. The CLA has no pre-conceived view of whether the redesignation of LFAs should produce a bigger or smaller area for England but we are concerned that the methodology adopted should be based on sound scientific evidence appropriate for the objectives of the designation.

- Defra must ensure that the Commission adopts a strong methodology to ensure all Member States designate LFAs using similar criteria. This is of ultimate importance when considering the future of payment support systems in both the UK and Europe (particularly in regard to the Health Check and use of Article 69). Defra must ensure that England and the UK are not under-represented within these discussions, particularly when considering the deep recession currently occurring in the upland grazing areas and the strong policy adjustments that will be necessary to stop a severe depopulation of both livestock and farmers, who have the knowledge and skills to manage these vital areas, from being lost from the hills.

- Alternative criteria for designating LFAs could be developed which relate to the second part of Article 50, 3(a) which focus on the positive side of the concept of LFAs, namely the extensive farming systems which are a vital part of the management of these semi-natural habitats and landscapes found across Europe.

- The CLA strongly urges Defra to be very clear headed about the principles concerning LFA designation. It is important that the industry be consulted thoroughly before decisions are taken. Defra must not be forced to make fast time-table driven decisions in haste which the industry repent for a couple of decades. LFAs will not be redesignated again for a very long time.

13th February 2008
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