

## **EXMOOR NATIONAL PARK AUTHORITY'S RESPONSE TO THE CONSULTATION ON THE UPLAND REWARD SCHEME**

### **Introduction**

The National Park Authority commissioned the Centre for Rural Research at Exeter University to carry out some research on the proposed options for an Upland Reward Scheme on Exmoor. The work involved a study based on economic modelling of the implications of the options and these were used in a questionnaire to farmers and the analysis of the responses is presented. The response of 45%, despite a complicated form and the short timeframe, indicates the importance that Exmoor farmers attach to the future of LFA support.

### **Q.1 Which of the following four Options for a future upland reward structure do you feel will best deliver the objective of rewarding sustainable land management and the provision of public benefits in the uplands?**

ENPA supports option 1 subject to the following conditions

- That Entry Level Environmental Stewardship scheme is revised to make it more accessible to hill farmers
- That a farmer should receive LFA support provided that all land that he/she can enter an agri-environment scheme is under agreement. Land that may not be under agreement includes land on short term lets (<5years) or land where there is shared grazing, including commons, where all the graziers will not agree to entering a scheme.
- That, in addition to Environmentally Sensitive Area, Countryside Stewardship and Environmental Stewardship, participation in non-Defra agri-environment schemes, such as National Park Conservation schemes, which deliver a similar level of environmental benefit as ELS, should qualify a farmer for LFA support.

There have been significant changes in the structure and administration of farm support in the last year which are still not complete, including the introduction of Single Payment scheme, the registration of land on the Rural Land Register, and the establishment of Natural England. If the new scheme cannot be set up in good time for its launch in 2007, then the current Hill Farm Allowance should continue unchanged for a further year.

In the longer term option 2 would be the best way to ensure that the management of upland landscapes receives adequate incentives and rewards for the delivery of important public benefits particularly in National Parks such as Exmoor. However the design of such a scheme will need adequate consultation and trialing. The Less Favoured area designations are due for review in 2010. So it would seem to be prudent not to have further change to LFA support before the end of the current Rural Development Programme in 2013.

During consultation meetings with the farming community on Exmoor there was considerable enthusiasm to be involved in testing a new Upland Environmental Stewardship scheme. The National Parks cover wide range of upland habitats and issues.

They have specialist staff covering most of the objectives of Environmental Stewardship and have with strong links with their farming communities. So are ideally suited as areas for any trialing of any new upland scheme.

**Q.2 If retaining HFA is your favoured option, please justify and explain how the existing HFA contributes in a measurable way to the delivery of Defra's priority of protecting the countryside and enhancing the natural environment, now and for future generations?**

It is not our favoured option, except as a transitional measure.

**Q.3 If this is your favoured option, please state what additional environmental enhancements might be considered that do not rely on stocking density figures and which are not covered by existing agri-environment schemes?**

Not applicable

**Q.4 If you disagree with linking LFA support to ES or another agri-environment scheme please state your reasons.**

We support this option, but Entry Level Stewardship needs to be more accessible to upland farmers

**Q.5 In your view, will this option provide adequate encouragement to hill farmers to enter into ES? If not, why?**

On Exmoor some 80% of land in the National Park is in the ESA scheme (see report attached) and most of the farmers, having entered the scheme in its first two years, have now renewed their agreements in 2003 or 2004. So they have at least 3 or 4 years before they could enter the new scheme at the 5-year break in their agreements. These farmers have shown a long term commitment to environmentally friendly farming through agri-environment schemes so can be expected to transfer from ESA to ES at the end of their agreements or before if the incentives are better in ES. Linking LFA support to ES would be an added incentive to transfer, but as long as an ESA agreement qualifies them for LFA support the decision to transfer before their agreement ends will be based on how well ES options fit in with their farming business and if the payments are better than in the ESA. The remaining farmers/landowners, who are not currently in the ESA, largely have small land holdings where the ESA annual payments are not a sufficient incentive to enter, though some small landowners have entered ESA to access the capital payments especially for hedge laying and repair of traditional buildings. If the existing 10 ha threshold for eligibility for LFA support remains, many of these landowners would not be eligible. There are a few farmers who have not joined the ESA because they dislike or are unable to cope with the paperwork and bureaucracy. They probably do not claim HFA currently either, as the uptake on Exmoor is lower than for the ESA (65% - see report attached). Decline in SPS payments as the transition from historic to area payments progresses may encourage them to seek additional income, and with this group of farmers linking LFA support to agri-environment schemes could bring some important environmental benefits.

**Q.6 Should all eligible land receive an LFA area payment or just land within an agri-environment scheme agreement? Please state your reasons.**

All eligible land should receive LFA payments, as these payments on a whole farm basis will ensure a commitment to environmentally friendly farming systems across the whole farm business. If all the land that the farmer can enter into an agri-environment scheme is entered (see Q1) then it is reasonable that he should receive LFA payment across all the land he/she manages. For short term lets this should mean that LFA support goes to those who manage the land. This is appropriate as they have shown a commitment to sustainable farming principles by entering an agri-environment scheme.

**Q.7 Does the system need to include a provision to enable applications from producers using tenanted or rented land? If so, why?**

If the producer has entered his land, tenanted, rented or owner-occupied, into an agri-environmental scheme there is no reason to treat them differently in terms of LFA support. Short term lets are dealt with above (Q6) and access to a linked package of ES and LFA support may act as an incentive for landowners to offer longer term tenure, which will in itself encourage more sustainable farming.

**Q.8 If land outside an agri-environment agreement is to qualify for LFA support, how should the system ensure that that all land (common land, short term grass lets etc.) is managed sustainably?**

Most land outside agri-environment schemes will be subject to cross compliance as it will be receiving SPS. It could be made a condition of LFA support that recipients must comply with Good Agricultural and Environmental Condition standards and Statutory Management Requirements on all the land for which the support is paid. This would then cover any land not registered for SPS.

**Q.9 The current HFA has a minimum and maximum area threshold plus differentiated payment rates based on land classifications; we would be required to retain a maximum area threshold for a future area-based LFA payment under option 1. At what level do you think this should be set to maximise delivery of the scheme's objectives?**

Under the current HFA system if a farm is larger than 350 ha and has an area of moorland, it is this land, probably the most important environmentally on the holding, that receives the reduced payment. If the holding is over 700ha some of the moorland will receive no payment. If we wish the new LFA support to reward good environmental management this issue needs to be addressed, as public benefits continue to increase as the area of land of environmental importance increases. I have no evidence to base changes to these thresholds on, but the Task Force for the Hills report suggested cut off points of 700ha and 1000ha. I suggest that some research is done on the amount and type of land affected and the redistribution effects of changes to these cut off points before any change is made. There might be a case for having different cut off points for land above and below the moorland line.

**Q.10 Should the future upland reward structure be based on environmental outcomes only as Option 2 suggests, or should there be some recognition that upland farming has production-related restrictions related to its location?**

In the short term the upland reward structure should not be solely based on environmental outcomes but should reflect the restrictions and greater costs of production systems in the hills as these restrictions will reflect the costs of environmental management. In the longer term if option 2 is adopted then the extra costs of environmental management could be reflected in the payment rates in an Upland ES scheme.

**Q.11 Which of the three options for an Uplands Environmental Stewardship Scheme do you feel would best meet Defra's objectives? Please state the reasons for your choice.**

The Exmoor research shows very clearly that if the existing HFA payments are withdrawn or cannot be accessed, there are likely to be very significant implications for the long term future of farming in the National Park as between 34% and 47% of existing farmers and their successors would have given up farming. Under option 1 the figure is less than 7%. So it is essential that these payments remain in the hills.

The best way to ensure that this happens is a combination of a ring-fenced upland ELS and more expenditure under HLS to provide additional options with better rewards for the uplands.

**Q.12 Is there, in your view, any reason why some farmers in upland areas would not want or may not be able to enter into ES?**

80% of Exmoor is already in the ESA scheme and most agreements were renewed in 2003 and 2004 so they will not be able to enter ES until their break clauses in 2009 or 2010 at the earliest. Those who will not be able to get into HLS will stay in the ESA to the end of their agreement so that they can continue to receive capital grants for hedging. There are currently no capital grants in ELS. Short term lets and grazing licences for less than a year are common on Exmoor. None of this land can go into ES unless the owner enters it and meets the obligations of the scheme by conditions in the lease or licence. Under present arrangements commons cannot get into the scheme unless all commoners agree and one person is prepared to take the responsibility for any repayments in the event of a breach an onerous requirement. The commons issues may be resolved when the new bill is enacted.

At present the options for the uplands under ELS are limited and the points awarded for the same management options in the uplands and lowlands have too great a differential, for while the outputs may be higher in the lowlands costs are higher in the uplands.

**Q.13 Are the current ES options sufficient to buy the environmental benefits we need from the uplands? What sort of additional options might ELS and HLS cover, for e.g. peat management.**

One of the major achievements of the Exmoor ESA has been the capital grants for laying and restoring hedges, especially the beech hedges that are unique to this part of the West Country. Not only has it maintained and restored these key features of the National Park landscape, but it has created a considerable amount of employment. This has helped to retain local people with traditional skills in the community at a time when farms have

been shedding labour. Many of the SDA farms without any moorland will find it impossible to access HLS so will lose these hedging grants at a time when hedges laid or restored in the early years of the ESA will need laying once more. Thus the investment of the ESA in these important landscape features will be wasted if they are not kept in traditional management. The solution to this would be a simple capital grant scheme for boundaries based on standard costs which already exist in ES. The administration of this scheme could be very simple as was done for the old MAFF Farm and Conservation Grant scheme where by the farmer did the work and claimed against the standard costs a small proportion could be checked as part of the compliance monitoring of ELS. If there was concern about the cost of such a scheme an annual or biennial cap could be put on grant aid, but this should be related to the size of holding not an arbitrary limit despite holding size as is the case at present in the ESA. A further way to limit spending would be to target these grants at nationally important landscapes – National Parks and AONBs a good way to maximize public benefit as these areas are the most visited. Furthermore NPA or AONB staff could deliver the scheme.

Other options to be added could be payments for traditional hedgerow management – similar to enhanced hedgerow management but siding is allowed but the top is not cut so the hedge can be laid when it is between 15 and 25 years old ( see prescription in Exmoor ESA). This should be a condition of any capital grant to lay a hedge.

The reversion of land to heather moorland, present in Exmoor ESA , but dropped from ES.

Supplement for traditional local breeds, where they are not rare breeds. Exmoor Horn has declined over recent years and is part of the cultural heritage of the National Park. Yet it receives no supplementary payment but Greyfaced Dartmoor would!

Payment for Blanket bog and Valley and spring line Mires under HLS these habitats are not only important for their biodiversity they contain a valuable palaeological record and are important for retaining water and locking up carbon.

HLS payment for introducing arable into areas where there is only pasture. Would encourage a more sustainable farming system with farmers producing their own feed and bedding, would benefit farmland birds especially if then linked to existing arable options in ELS and create a more diverse landscape. A supplement could be added for growing thatching straw.

These are just a few varied options much more work needs to be done and the National Parks through their England Agriculture group could provide detailed input into the process of devising an Upland Stewardship scheme

**Q.14 What would the impact be on existing agri-environment agreement holders? If they were unable to access the new funding in the short term, would they be unfavourably disadvantaged?**

The reason for the strong rejection of option 2 by Exmoor farmers (see research report) was that 80% of Exmoor is in the current ESA and the majority will not have the chance to transfer to ES for 3 or 4 years. Thus losing some 30% of their net farm income for that time while SPS is also dropping for most as a result of the transition from historic to area based payment resulted in over a third predicting that neither they nor their successor would be still farming in five years time compared with 7% giving up under option 1. A similar picture occurs over livestock especially cattle where under option2 63% predict a

reduction or giving up cattle while under option 1 36% will reduce cattle. So even under the preferred option cattle numbers will drop significantly; this a serious issue which must be addressed in any future upland ES scheme. But something needs to be done now to persuade moorland farmers to retain the cattle that are adapted to the moor as they are essential to delivering the environmental outcomes required especially getting SSSI into favourable condition.

**Q.15 If Government were to end specific LFA support, how in your view would we be able to retain the critical mass of hill farmers and livestock needed to care for the upland landscape and natural heritage, and preserve biodiversity (PSA target 3)?**

#### **PART 4 – ADDITIONAL QUESTIONS**

**Q.16 Should the new arrangements be introduced at the beginning of the next programming period in 2006/07 or is there a need for a transition period?**

As indicated with options 1 and 2, we will not have initial reports on the impact of Environmental Stewardship uptake until early in 2006. Changes to Entry Level Stewardship will take time to bring into effect and could not realistically be made until 2007 at the earliest. One option would be to have transitional arrangements, whereby LFA payments as under option 1 were made available to all SDA farms, but on condition of a declaration of intention to enter into Environmental Stewardship within a specified period.

**Q.17 Options 1 and 2 are based on payment for SDA land only. Do you agree that DA land be excluded from future LFA incentive payments? If not, please state your reasons.**

The SDA line is primarily based on physical characteristics which are unlikely to have changed significantly over time, unlike the DA line which was based not only on physical characteristics but also socio-economic data from 15–20 years ago. Following the review of designation of LFAs before 2010, we anticipate there will be areas on the margins (mostly DA land) which will lose LFA status. DA land is generally higher grade agricultural land, is more accessible, and producers have more options to maximise the potential of this land. It would therefore be more effective in terms of targeting expenditure on environmental benefit to reward SDA land only.

The Single Payment Scheme will, over time, favour producers in the DA as DA land attracts the highest rate of payment. Defra economists have analysed predicted changes to farmers' incomes following decoupling and preliminary reports suggest SDA farmers are much more dependent on subsidy payments than those in the DAs. This trend holds across all Government Office Regions throughout the four years of data analysed.

If we choose not to make LFA payments on DA land (currently 0.6 million ha), more money would be released for other rural development measures, which could include LFA support

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for producers in the SDA. In the light of these factors, the Government's view that we should restrict payments to SDA land only.

**Q.18 Should Government extend LFA support to farming other than beef and sheep farming within the LFAs?**

Support for farming in England's LFAs has historically focussed on extensive beef and sheep farming, which is the predominant land use. However, it is possible to extend support to other forms of farming i.e. dairy.

The Government's initial view is that eligibility for LFA support should be extended to all farming activity in the SDA, provided farmers make a commitment to put all or part of their holding in an agri-environment agreement. As well as delivering increased environmental benefit, this would simplify administration, in that farmers would not need to indicate the particular agricultural sectors in which they were engaged or supply animal numbers, and public authorities would not need to check on compliance with any such requirements.

**Q.19 If the baseline option or option 1 were adopted, should LFA support continue to be operated on an England wide basis or is there a case for greater regionalisation including for example, regional payment rates? What changes could or should be made to tailor the system better to meet the needs of different areas, bearing in mind the additional administrative burden?**

LFAs are not homogeneous: they vary in climate, terrain, and vegetation, and this is reflected in different types and patterns of farming found in different regions. The current HFA does not take account of these variations.

Were we to move to regional payment rates we would need to consider carefully both where the boundaries should be drawn, and how we would handle landholdings which straddled boundaries. Operational difficulties have to be borne in mind, especially in the light of our experience with cross-border cases involving the devolved administrations. We would need to avoid adding disproportionately to operational costs and assess whether they outweighed any environmental benefits gained.

**Q.20 Traditionally HFA and its predecessor schemes have not been taken into account for the calculation of agricultural rents, although agri-environment schemes may have done so. What, if any, will be the impact on agricultural rents of the new support arrangements?**

**Q.21 Finally, we would welcome your views on any other issues or points that you wish to raise that are relevant to this consultation.**

The options we have identified are in broad terms and are there to help promote debate. If you think there are other options which we should consider we would welcome your ideas.

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