the National Trust
for Scotland
a place for everyone

Briefing Paper No. 1: The Single Farm Payment Scheme of the EU Common Agricultural Policy

Briefing Papers are an occasional series of documents through which Trust policies, national issues and matters related to heritage management can be explored in more detail.

1. Background

Following EU adoption of reform of the Common Agricultural Policy (CAP) in 2003, the UK as a Member State adopted the new Single Farm Payment Scheme (SFP) from 2005. This phased introduction, although co-ordinated by DEFRA, was independently implemented by the devolved administrations, including the Scottish Government.

The purpose of SFP was to remove the link between subsidies and production of specific crops – so called 'decoupling'. Unlike previous systems (SFP replaced 11 subsidy schemes) farmers were no longer paid according to the amount of specific crops produced but against 'entitlements' to be released against 'eligible' hectares of land. To participate in the scheme the farmers must maintain eligible land in Good Environmental and Agricultural Condition (GEAC).

A mechanism to facilitate the de-coupling process was established in the form of a market enabling farmers to buy, sell and lease eligible land or entitlements in order to use the resulting grants and income to fund diversification as their business models dictated.

Entitlement values were based on the subsidies which were claimed during the 'reference period' (2000-2002) and amalgamated into a single payment calculated on an entitlement per hectare. The entitlement to receive the payment is attached to the land-owner/farmer and not to the land itself.

Entitlements can be put up for sale for the following reasons:

- Farmers wish to capitalise on their SFP ownership by selling it and using the money to diversify (e.g. through new buildings or equipment)
- Farmers have sold their land and consequently still own entitlements on which they cannot claim under SFP because they do not have sufficient acreage

- Leasing agreements for land that they had in place over the 2000 - 2002 period have subsequently lapsed, again meaning they have insufficient acreage.

As a result, the market for purchase of SFP entitlements by landowners who have suitable "naked acres" of land has grown substantially.

2. The National Trust for Scotland's Views on CAP Reform and SFP

The National Trust for Scotland, along with other conservation organisations, has consistently advocated for the development of an agri-environmental support system that delivers public benefits in return for public investment. These public benefits include environmental protection, social development and economic security.

During the development period of the current Scottish Rural Development Programme (2007-2013), the Trust specifically argued for:

- Single Farm Payments to be made on an area basis, rather than payments to individuals or enterprises based on past activities
- A flexible area-based payment scheme to reduce administrative costs and allowed-for payments to be targeted where support is most needed
- Improved support for crofting, given its importance to local communities in economically fragile areas, and its contribution to landscape, environment and cultural heritage.

Rather than an area-based approach, the Scottish Government chose instead to use the historical model, with future payments based on payments made during the reference period, and with the intention of moving to an area-based system at some point in the future.

England chose to operate a hybrid model, with both area-based and historically-derived payments. This posed greater administrative complexities than the Scottish approach and the Rural Payments Agency suffered a number of failures during its early life.

Had Scotland elected to adopt an area-based approach to payments, as recommended by the Trust, there would have been a significant transfer of resources from the intensively farmed, and more commercially successful, areas in the south and east of Scotland to more ecologically valuable and economically fragile farming areas in the north and west of Scotland.

During the current development period for the future Scottish Rural Development Programme (2014 - 2020), the Trust, along with other conservation organisations, has continued to argue for:

- Ideally, the phasing out of direct income support under Pillar 1 of the Common Agricultural Policy, as the rationale for simple income support has now expired
- Payments (should these continue to be made) to be on a flat-rate area basis, giving a system that is simpler, more transparent and commands public support

- Support to be linked to the provision of public goods, and which addresses issues across the rural environment
- Progressive redistribution of resources to the more economically disadvantaged but environmentally and culturally important farming and crofting systems in the north and west of Scotland.

3. The National Trust for Scotland as an SFP Claimant

The Trust is a conservation charity which holds around 70,000 hectares of land, making it one of the largest landowners in Scotland (almost 1% of Scotland's total landmass). Of this land, which includes iconic locations such as Torridon, Glencoe and Iona, around 30,000 hectares are declared eligible under SFP.

As a conservation charity, the Trust is committed to sustainable land-use based on bio-diversity, which is also one of the objectives of the Common Agricultural Policy and consequently an aim of the SFP scheme.

This follows because the ecologies of some of our 'visited' landscapes are dependent on 'traditional' farming land-use methods and are therefore kept in cultivation by the Trust either directly or by contractors and tenants.

Additionally, the Trust has been gifted and purchased land over the last eighty years for the purposes of generating steady income streams, intended for re-investment in our charitable aims as pursued for the good of the nation's heritage. Much of this 'non-visited' land held by the Trust encompasses working farms, forestry and designated cultivable ground.

The Trust's charitable status also means that it has a fiduciary duty to manage its estate to the best of its potential in order to deliver the conversation objectives enshrined in our core purpose, statute and management plans.

The Trust's farms have historically benefitted from grant payments from the various schemes which pre-dated SFP. These include Canna, Torridon and Glencoe as the main beneficiaries.

In practice, we have found that the current iteration of the SFP scheme fails to provide direct support for traditional farming practices that are fundamental to Scotland's heritage, such as crofting. Accordingly, we have created a traditional crofting Scheme at Balmacara which is funded by core Trust investment in the absence of other available support. Much of the grant/income received by the Trust through SFP is redistributed through projects such as this.

At the time of the SFP scheme's introduction, on the basis of subsidies claimed during the reference period, the Trust was granted entitlements on 2,352 hectares of its land. This was worth Euros 31.95 per hectare and an annual income of Euros 75,000.

The Trust was required at this juncture to register all of the land it owned and occupied, including forestry. It became clear as a result of this process that we had many more eligible hectares that we were not claiming against within our estate.

Accordingly, a project was raised to make the remainder of the eligible land being managed by the Trust work harder by acquiring entitlements on the open market. We felt that this was appropriate to do this as:

- The market existed, and we, like all others involved in farming and land management, had to work within the system as it was
- There was significant low value entitlement on the market as farmers sought to realise capital and we had an excess of eligible land
- We had actively farmed on specific properties for many years
- The payments would be re-invested in our conservation land management objectives, including preservation of historic landscapes and agricultural practices, environmental sustainability and education and access provided by our Countryside Rangers services – all of which are to the ultimate benefit of the heritage of the people of Scotland.

4. National Trust for Scotland Properties Subject to SFP Claims

Additional entitlements were purchased by the Trust in 2007 on a one-time basis only. Our entitlements under SFP are now matched to a total of 13,660 eligible hectares including:

- Cattle and sheep farming on Canna
- Cattle and sheep at Glencoe
- Highland Cattle at Torridon.

The total income to the Trust from SFP entitlements between 2007 and 2012 is projected to come to a total of £2.2 million (pending allocation of this year's payments).

Published data indicates that the Trust is the 15th largest claimant of SFP subsidies in Scotland. This is not the full picture as the table in question, published by DEFRA, only names "legal persons" and not "natural persons" - we understand that there are many "natural persons" claiming under SFP who receive considerably more than the Trust or other charities/NGOs like the RSPB do.

It is worth noting that, on a per hectare basis, the sums received by the Trust are significantly less than the Scottish average. SAC (Scottish Agricultural College) research of 2009 shows that the average SFP payment in Scotland was £113 per hectare per annum (based on 2009 data). As at 2010, the Trust was receiving an average of £29 per hectare per annum under SFP (for land on which we claimed, not all of our eligible land).

5. Naked Acres

Our involvement with 'naked acres' came about by the desire to ensure that we furthered our conservation objectives by deriving income from our estate which we could then re-invest in its upkeep, as well as other land management and bio-diversity projects. This was a logical response to the way the SFP system had evolved.

It was recognised that some of the Trust's balance of SFP-eligible land could be let to farmers who had entitlements but no land in order to generate income for conservation investment.
As previously indicated, this arrangement was perfectly feasible in that a farm business may have had eligible leases on land during the test period which had subsequently ended, or had found it more profitable to grow non-eligible crops in the form of diversification and wanted to realise their business assets by these means.

Between 2007 and October 2011, the Trust raised around £120,000 through lets equating to approximately £25,000 per annum. This income effectively offset our investment in our traditional crofting management scheme and other mechanisms for delivering conservation management objectives.

The properties in question were Mar Lodge Estate (2007 – 2009), Torridon (2009 – 2011), West Affric (2010 – 2011) and Glencoe (2010 – 2011).

As of October 2011, the Trust has no SFP-eligible land leased to third parties.

To put this in context, the Trust's annual expenditure in looking after Scottish heritage exceeds £27 million. The income generated through letting of eligible land represents less than 0.1% of what we spend on conservation each year.

6. The Future of CAP

The development of a new Scottish Rural Development Programme (SRDP) for the period 2014 - 2020 is neither a quick nor a simple process. The new SRDP will reflect decisions made at European Union level which will attempt to balance the needs and demands of 27 Member States.

The timeline for development requires that the current European Commission legal proposals are reviewed by the European Parliament and European Council during 2012, with legislation agreed in spring 2013. During 2013, Member States will develop their own implementation measures based on the legislation, with approval for these coming from the European Commission later in 2013. This timetable is considered by many to be ambitious, and the existing schemes may be rolled over to compensate.

Discussions are already underway in Scotland for a future SRDP, and an initial Scottish Government consultation on the European Commission proposals is expected in early 2012. Based on the current proposals, the Trust and other conservation organisations:

- Support the Commission's proposals to move to a regional model of support, with a more equitable distribution of resources within and across Member States
- Think that this model has the potential to give an uplift to the High Nature Value and crofting systems in Scotland which, under the current historical model, are financially disadvantaged

- Expect that the regional model of support should result in a redistribution of support from more intensively farmed areas, with less need for public support, to less intensively farmed areas coping with greater challenges. This would give a more socially equitable and environmentally beneficial distribution
- Are concerned at proposals from some groups within Scotland to divide Scotland into a number of sub-regions which would effectively limit the redistributive effect of adopting a regional model of support.

Along with our partners in Scottish Environment LINK, we will continue to argue for public support to be linked to the delivery of public goods, including environmental protection, social cohesion and economic support to the High Nature Value farming systems that are in greatest need.

7. Conclusions

- CAP and SFP are imperfect systems that we feel do not meet Scottish land-use needs nor fully recognise the significance of traditional land-use patterns to important ecologies
- We look forward to opportunities to influence reform of the scheme to ensure better recognition of particular Scottish needs, sustainability and bio-diversity
- While we have strongly advocated for a more equitable system based on current need, we and other land-holding NGOs have had no other choice but to work within the current system for the time being
- We have received and purchased entitlements line with active farming and agri-environmental activity going on within our properties – in fact, our entitlements only cover just over a third of our eligible land under SFP
- We have previously leased a small proportion of the balance of our eligible land in order generate income we can re-invest in our charitable purposes – albeit small sums in relative terms. Our income from 'naked acres' has been re-invested directly in our award-winning traditional crofting management scheme at Balmacara
- All of the grants and other income received as a result of SFP have been re-invested in the conservation of Scotland's wild landscapes, so that we can ensure their ongoing existence and accessibility as part of the nation's heritage.

Annex – National Trust for Scotland Single Farm Payments

Average levels of Single Farm Payments

Scotland generally has a lower average Single Farm Payment per hectare than either the UK as a whole or the European Union as a whole. The NTS's Single Farm Payment per hectare is significantly lower than the Scottish average.

On a per hectare basis, the Trust's Single Farm Payment of £29 per hectare in 2010 is lower than both the UK average (£235) and the Scottish average (£113).

If this payment is averaged over *all* Trust land eligible for Single Farm Payment support (some 30,000 hectares), then the figure drops to £13 per hectare.

Table 1: Average Single Farm Payments in 2009 (sources: Department for Environment, Food and Rural Affairs; Scottish Agricultural College)	
Category	**Single Farm Payment per hectare (£)**
UK average	235
Scottish average	113
National Trust for Scotland – current payments on 13,660 hectares*	29
National Trust for Scotland – current payments on all 30,000 eligible hectares*	13
NB The data given here are for NTS's 2010 SFP of £397,691. Our SFP in 2009 was £347,862, or £25 per hectare.	

Highest levels of Single Farm Payments

The National Trust for Scotland is one of the largest land managers in the UK, and considered to be the third largest land owner and manager in Scotland.

In 2010, the National Trust for Scotland received £397,691 in Single Farm Payments.

At a UK level, this places the NTS in 71st place in terms of the value of Single Farm Payment received (note that these data only cover 'legal persons', data protection means that the identities of 'natural persons' are not published by DEFRA).

Table 2: Top 20 UK organisations receiving Single Farm Payment in 2010 (source: Department for Environment, Food and Rural Affairs)			
Ranking	**Organisation**	**Direct EAGF (£)**	**Region**
1st	FARMCARE LIMITED	2,750,528	England
2nd	NATIONAL TRUST	2,105,058	England
3rd	AGRESERVES LTD	1,714,092	England
4th	STRUTT & PARKER (FARMS) LTD	1,664,864	England
5th	BLANKNEY ESTATES LTD	1,396,961	England
6th	PARKERS OF LEICESTER LTD	1,235,070	England
7th	SIR RICHARD SUTTONS SETTLED ESTATES	1,204,829	England
8th	Frank A Smart & Son Ltd	1,200,845	Scotland
9th	Thurlow Estate Farms Ltd	1,114,760	England
10th	WALDERSEY FARMS LTD	1,108,055	England

11th	Strathdee Properties Ltd	1,038,125	Scotland
12th	Ross Bros	1,032,225	Scotland
13th	LIMESTONE FARMING CO. LTD.	985,862	England
14th	G Barbour & Co	968,329	Scotland
15th	Royal Society for the Protection of Birds	898,307	Scotland
16th	LORD RAYLEIGHS FARMS LTD	876,348	England
17th	ELVEDEN FARMS LIMITED	851,957	England
18th	COMPTON BEAUCHAMP ESTATES LIMITED	774,846	England
19th	J S R FARMS LTD	758,778	England
20th	G COLLINS (FARMS) LTD	756,239	England
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71st	National Trust For Scotland	397,691	Scotland

In Scotland, the NTS ranked as the 15th largest (legal person) recipient of Single Farm Payment in 2010.

Table 3: Top 20 Scottish organisations receiving Single Farm Payment in 2010 (source: Department for Environment, Food and Rural Affairs)

Ranking	Organisation	Direct EAGF (£)
1st	Frank A Smart & Son Ltd	1,200,845
2nd	Strathdee Properties Ltd	1,038,125
3rd	Ross Bros	1,032,225
4th	G Barbour & Co	968,329
5th	Royal Society for the Protection of Birds	898,307
6th	J & T F Macfarlane Ltd	742,801
7th	Moray Estates Development Co.	720,665
8th	J R Graham Ltd	629,020
9th	Baltier Farming Company Ltd	526,649
10th	IAN WHITE LTD	502,138
11th	Mr A J Duncan (A Firm)	468,452
12th	Sunwick Farm Ltd	446,671
13th	Balnacoil Farming Ltd	428,797
14th	Crochmore Farms Limited	415,466
15th	**National Trust For Scotland**	**397,691**
16th	James H Fowlie (A Firm)	386,530
17th	Barr Farms Limited	384,890
18th	Backmuir Trading Ltd	375,535
19th	John Dodd T/A Glenogil Estate	368,787
20th	Ms E J Mackenzie & Co	368,461

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