

Rùnaire a' Chaibineit airson Cùisean Dùthchail, Biadh agus an Àrainneachd
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Rob Gibson MSP
Convener
Rural Affairs, Climate Change and Environment Committee
c/o Clerk to the Committee
Room T3.40
The Scottish Parliament
Edinburgh
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29 January 2016

Dear Rob

CAP PAYMENTS

I wrote to you on 20 January to give the Committee an update on progress with the new CAP Basic and Greening payments. I am writing today to give you a further update on the payments timetable. I am meeting with industry representatives today, and I am aware that since my last letter you have received correspondence from NFU Scotland on this topic.

CAP payments, of course, are vitally important to Scottish agriculture, especially at the present time when our farmers face difficult market conditions and other challenges.

As I have made clear many times, the implementation of the new CAP represents an unprecedented task. Never before have both Pillar 1 and Pillar 2 been reformed in the same year, and this required us to launch around 20 separate schemes during 2015. In Pillar 1 alone, where we previously had two Scotland-wide schemes, we now have six schemes – each of which involves regional targeting, but implemented differently for the main support payments, the beef VCS schemes and the sheep VCS scheme.

Of course it was the Scottish Government that adopted this policy package, in order to match the new CAP closely to Scotland's needs. But this was with strong support from the farm sector and from Parliament, and indeed some of the complexities – such as a third Basic Payment region, a separate island VCS scheme for beef cattle, and a VCS scheme for sheep – were specifically requested by the industry.

Faced with this huge challenge, the Government has been working consistently over many months to deliver the new CAP payments in the best possible way. This means not only delivering money as quickly as possible to our hard-pressed producers, but also ensuring that payments have been properly calculated and accounted for.



The latter is vital in order that we avoid not only the disruption which wrong payments to individuals could cause, but also the risk of serious disallowance by the EU. EU rules explicitly require that a farmer's claim must have been fully checked before he or she can receive any payment – a point on which the European Commission has given no flexibility despite pressure from ourselves and others.

It is also worth noting that in the first year of the new CAP we are required to carry out a number of one-off tasks, which affect the speed of processing but should not recur in future years. These include allocating almost half a million fields to the new payment regions, and issuing new payment entitlements for the Basic Payment scheme. These tasks are additional to the normal annual activities such as processing around 21,000 Single Application Forms and carrying out land inspections on around 1,300 farms.

Despite this, the Government successfully began making first instalment Basic and Greening payments, as planned, by the end of December 2015. But as a result of the complexity of the new CAP and the challenging list of tasks to be carried out, it is taking longer than expected to process applications. We said our aim was to pay a majority of farmers their first instalments by the end of January, and we have been doing everything possible to try and meet this aim. However, as outlined above, the new CAP is highly complex, and the IT system we are using is brand new to both claimants and staff.

We have of course taken action to improve the speed of processing. We have taken on additional staff in our local offices and our IT team have been working round the clock. We have adopted a pragmatic approach so that, where appropriate, discrepancies in claims can be treated as 'de minimis' or corrected quickly by our staff without the need for extra information from the farmer. We have reduced the time needed for the banking processes that deliver payments to farmers.

The situation at present is as follows. By today, 29 January, we have made more than 5,000 first instalment payments, which represents almost 30 percent of the 18,000 or so eligible claims. Further payments will continue to be initiated and released into the banking system in the remaining days of January, which farmers will receive in the coming days. We are continuing to pay first instalments at 75% of Basic and 90% of Greening payments, well above the minimum of 70% which was our target. The Committee might be interested to note that this position is well ahead of where other parts of the UK were at the equivalent time, when they moved to area-based payments in the last CAP reform – without having to implement Greening and a new Pillar 2 programme at the same time.

Looking forward to the coming months, my officials are working as hard as possible to make as many first instalment payments as we can by the end of March. This is a challenging target and we will give regular updates on our progress. It is particularly challenging for the 1,300 farms which were, under EU rules, subject to land inspections. Inspected cases typically have among the longest processing times even in a normal year, and we will do everything possible to deliver payments to these farmers as soon as we can.

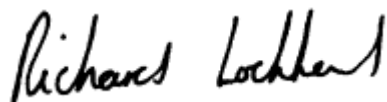
Our area offices will continue to work seven days a week, and further additional staff are coming on stream. The Director of Agriculture, Food and Rural Communities is working full time on CAP implementation. Our area offices will aim to prioritise hardship cases where possible; since December, any farmers concerned about their own payment have been able to contact our customer helpline. The Scottish Government will also continue to liaise with banks, who have been providing bridging finance to many of their customers.

I share the industry's disappointment and frustration that we have not yet been making progress as fast as we had hoped. I hope the above explains both the reasons and the actions we are taking to accelerate claims processing.

The complexity of the new CAP has an impact beyond Pillar 1. Many Pillar 2 schemes, such as the Agri-Environment-Climate scheme (AECS) and LFASS, are administered in an integrated way with the Basic and Greening schemes, and so the timing of Pillar 1 processing is bound to have an effect. We are working hard to minimise the impact on the timing of application periods, project approvals and payments under these other schemes. In fact the 2016 application round of AECS opens this week, and successful 2015 applicants will be informed very shortly.

I hope this update is useful to the Committee. I will continue to keep Parliament and the industry informed of progress and I would be happy to attend the Committee to explain more about both the challenges we have faced and the steps we have taken to address them.

Yours sincerely,



RICHARD LOCHHEAD