

Rùnaire a' Chaibineit airson Cùisean Dùthchail, Biadh agus an Àrainneachd  
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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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23 March 2016

Dear Rob

## **CAP – Update on payment progress and other schemes**

Prior to dissolution, I am writing to give the Committee a further and final update on the progress we have made with direct farm payments.

Let me say at the outset that I appreciate farmers and crofters in Scotland are experiencing a difficult period. This is the first year of a radically reformed Common Agricultural Policy (CAP) and there has been a knock-on effect on payment schedules in Scotland and in Europe. Farmers and crofters are continuing to experience tough market conditions. The extreme weather has also exacerbated cash flow issues across the industry.

Decisions taken with the industry on the complexity of the new policy were always going to be extremely challenging to implement and as I have said to Parliament previously it is taking longer to make payments than we hoped.

EU rules expressly prohibit paying out on claims during the 1 December to 30 June payment window until they have been fully processed, although we continue to press the Commission to relax these rules.

As of today, first instalments of Basic Payment Scheme (BPS) and Greening payments have been made to over 11,400 businesses – 63 per cent of businesses - which are worth a total value of almost £130 million.

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We are continuing to do everything we can to increase the rate of payments as a priority and will continue to publish our weekly progress on Rural Payments and Services.

I have also announced three new schemes to further support our farmers and crofters experiencing cash flow problems.

The **Cash-Flow Loan Scheme** was announced in February 2016, but has now mostly been superseded by two additional schemes.

#### **National Less Favoured Area Support Scheme (LFASS) (March 2016)**

- Initial payments, valued at over £53.4 million, have been initiated to over 10,000 farm businesses in Scotland's most remote and fragile areas.
- A further 700 letters are being issued to applicants who will be offered the minimum LFASS payment of £385.
- All initial payments under the national scheme will be deducted from final LFASS payments due.

#### **National BPS Support Scheme (March 2016)**

- £200 million of funds have been allocated to support cash flow for BPS eligible claimants who have not received a first instalment payment by the end of March.
- It will operate in a similar way to the National LFASS Scheme in that the initial payment will be recouped when the final BPS payment is made.
- Letters will be sent to affected farmers and crofters in batches shortly and payments will be made in April.
- Farmers and crofters elect to receive payments in either Euro or Sterling when they submit their SAF. We will pay Euro payments to Euro recipients (approximately 15 per cent of total claimants).
- There will be an upper limit on payments of €250,000. This will affect less than 1 per cent of farmers and would be the equivalent to using up one year's worth of the rolling three-year de minimis state aid limit.

Any farmers with queries on these schemes should contact the RPID customer helpline on 0300 300 2222.

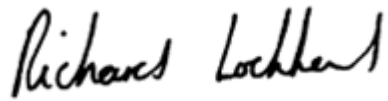
#### **In relation to the 2016 Single Application Form (SAF):**

- Online applications for 2016 opened on 15 March as scheduled.
- Customers who previously submitted their application on paper will receive a pre-populated paper form around the end of March. They can, of course, choose to submit an online application, and support is available from our area office teams to help them.
- The first applications have been successfully submitted and several hundred have been started.

We will report our progress on SAF 2016 applications, and the other national schemes, as well as our progress on 2015 direct payments.

As I previously stated there has been some impact on other schemes and, within Appendix A, I have provided a current update on our progress with these schemes which may be of interest to the Committee.

With nearly two thirds of payments made, I recognise that the situation we are in is not where I had hoped we would be. During the pre-election period my officials will continue their work to deliver payments to support our farmers and crofters.



**Richard Lochhead**

### Update on other schemes

**Scottish Suckler Beef Support Scheme** - We will start payments for the voluntary coupled support scheme for beef in April, in line with previous beef schemes.

**Scottish Upland Sheep Support Scheme** - This is the first year of voluntary coupled support for sheep and so payments are anticipated to be made by the end of June.

**Scottish Rural Development Programme (SRDP) - Capital Grant Schemes.** The new entrants schemes include Young Farmers Start-Up Grant, the New Entrants Start-Up Grant and the New Entrants Capital Grant. Scoring has been completed for the new entrant capital grants and approximately 100 young farmers and new entrants have been awarded start-up grants worth a total of more than £5 million.

**Crofting Agricultural Grant Scheme (CAGS)** - Processing claims for crofters with existing contracts has been slower than anticipated but we are now making better progress and also processing new CAGS contracts.

**LEADER 2014-2020** - Community led local development (the LEADER approach) has a budget of £86 million, indicative budgets have been allocated to the 21 Local Development Strategy areas and we are working closely with the Local Action Groups. All Local Development Strategies have been agreed. Local Action Groups are launching and are working closely with applicants to develop expressions of interest and applications for consideration.

**Knowledge Transfer and Innovation Fund (KTIF)** - Total value of the seven projects approved to date is £2.54 million with £7.45 million left to invest in other projects. Further project proposals are being considered.

**Environmental Co-operation Action Fund (ECAAF)** - We have received about 40 ECAAF applications, which we are starting to assess.

**Food Processing Marketing and Cooperation (FPMC)** - As of 2 March, 18 projects have been awarded grant support totalling £8.8 million supporting investment of around £44.2 million and will safeguard/create 290 jobs. A further 18 capital projects are under consideration

**Forestry Grant Scheme** - Opened on 30 March 2015 and the scheme has been widely welcomed by the forestry industry. Initial interest and uptake is high, as compared with the last Rural Development Programme with 650 applications worth £25.6 million received to date and 450 applications worth £14.6 million approved.

**Agri-Environment Climate Scheme (AECS)** - Claimants from 2015 have been notified and contracts are being issued. Applications for the 2016 scheme opened at the end of January and are due to close on 20 April. Due to the overlap with SAF 2016 application window, AECS applications will still close on 20 April but we have extended the period for uploading supporting documentation until 16 May– allowing almost four additional weeks for the documentation to be provided.

**Beef Efficiency Scheme (BES)** - Will open for applications in April. Letters are being issued to producers this week providing them with further supporting materials on Rural Payments and Services. First payments for this scheme will commence in 2017.

**Rural Priorities** - A legacy scheme with contracts continuing into this new financial year. We anticipate payments will be made for this year in the summer.

**Land Managers Options (LMO)** - Payments are made later in the year and we hope to pay on our usual timescales.