An attempt at an *ex post* evaluation of agri-environment support for crofting in the 2007-13 SRDP

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Figure 1. A scene in Strichen parish, Aberdeenshire, which has 78% RP AE uptake. (Photo: Jim Bain, Creative Commons Licence)

Executive Summary

Crofting and other small agricultural units are, according to the SRDP, strengths of Scottish agriculture; the programme intends "*to address the fact that the average size of farm holdings is small. Crofting also needs to be recognised*."

The extent to which the RDP lives up to this intention has, regrettably, not been investigated – the task is made more difficult by the failure of the farm code system to separate out crofts. This report aims to go some way to addressing this weakness by analysing samples of parishes dominated by IACS claimants with common grazings shares – a conservative surrogate for crofting claimants.

Uptake and spending on both LMO and RP agri-environment measures is well below the national average, despite the biodiversity significance of crofting areas. Occasional exceptions, such as Tiree in the case of RP, only serve to highlight the major questions which arise, not only for the delivery of policy goals for High Nature Value farming, but even for the narrower focus on designated sites.

Given the high correlation between crofting areas and those parishes designated by HIE as socio-economically fragile, this failure of provision has especially serious wider implications; the lack of capital in such areas means that they use few of the RDP investment measures; RP thus offers some its poorest support to some of the most disadvantaged parishes.

A comparison with the intensive farming area of non-LFA Aberdeenshire, where RP participation is well about the national average, raises serious questions regarding the targeting of SRDP funding, and of the efficacy of ongoing evaluation and monitoring of the programme.

Some factors which are likely to contribute to the poor uptake include:

- The distribution of measures between schemes, and in particular the inclusion of some straightforward and apparently attractive prescriptions in the RP scheme, where they are inaccessible in practice for a variety of reasons, including perceived cost/benefits of the bureaucratic application process and the assessment scoring system
- The design of some measures, which renders them less attractive or practicable than they might be
- A regional variation in the percentage of successful applications, suggesting that RPACs are not uniformly rigorous
- A variation in advisory provision, putting crofting applicants at considerable disadvantage in terms of awareness and guidance

The main recommendations are:

Programming

1. Crofting and small units should feature specifically and in a quantified way in all sections of the new RDP, and unlike the present RDP, it should contain clear and robust connections between the *ex-ante* evaluation, the design of measures and the monitoring plan, including specific crofting-related sub-indicators.
2. Crofts should be specifically identified through the farm code in order to facilitate monitoring and evaluation

Advice

3. At least a doubling of advisory provision in Crofting Counties by a reinforcement of the AA 411 mechanism. Advisors should be based preferentially in the offices currently short-staffed and income budgets in those offices should not rise accordingly.

4. Serious consideration should be given to adjusting the balance between general advisory funding, within-scheme funding and subsidised consultancy support (and the adjustment of targets where appropriate).

Agri-environment

5. Design of access mechanisms which enable a significant proportion of HNV crofts and small units to avail themselves of meaningful and relevant AE options.
6. Replacement of the current small unit management prescription with a measure such as that outlined in the Annex.
7. Replacement of the current cattle retention prescription with a measure such as that outlined in the Annex. The extra costs for reintroductions should be recognised as with the current option.
8. Replacement of the current moorland management plan with a measure such as that outlined in the Annex.
9. Replacement of the current summer cattle grazing option with a measure such as that outlined in the Annex.

Figure 2. Stove, Shetland – Sandwick parish has no LMO or RP AE participants (Photo: Mike Pennington, Creative Commons Licence)

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1. Need for a crofting-orientated *ex post* evaluation

Evaluating the successes and failures of Scottish Rural Development Programme (SRDP) measures against the objectives set within the programme (Scottish Government 2006a) and in the EU Community Strategic Guidelines for Rural Development (European Commission 2006) is an integral part of the EU rural development process, as well as essential for the proper stewardship of public funds and the effective delivery of public policy.

The role of crofting in delivering a range of public goods, and especially of biodiversity-related ecosystem services, has been recognised for many years, with specific attempts to encapsulate this in agri-environment (AE) policy as long ago as 1992, when AE measures were first made a central element of Common Agricultural Policy (CAP) funding in the so-called MacSharry reform (SCU and RSPB 1992).

Since then the environmental benefits of crofting have been taken for granted. However this report is not predicated on the assumption that crofting is the only type of High Nature Value (HNV) farming in Scotland, nor that all crofts are necessarily well-managed for the environment. It does however assume that

- Crofting *on average* delivers higher levels of biodiversity public goods than does Scottish farming as a whole on average (as shown by e.g. the recent work on the HNV farming indicator (Mackey, Blake, and McSorley 2011) (McCracken 2011)).
- Crofting is a good surrogate for small units (39% of all holdings have an Utilised Agricultural Area of less than 5 ha and 63% have an economic size of less than 2 ESU[1] (Scottish Government 2006a)), and especially for small units managed at lower intensities.
- Crofting is over-represented in both the HIE Fragile areas and in the areas which have suffered significant falls in activity in recent years (SAC 2008)
- A failure to address AE measures to crofting would therefore at least raise significant questions about the targeting in principle and delivery in practice of AE funds

The SRDP lists small farms and crofting as 'strengths' and comments '*Implies that the programme will need to address the fact that the average size of farm holdings is small. Crofting also needs to be recognised.'*

The Strategic Plan (Scottish Government 2006b) which underpins the RDP sets out the following objective: '*to maintain traditional agricultural landscapes and encourage high nature value farming, crofting and forestry systems through support for farming and forestry holdings in upland and remote areas, and to ensure the viability of land management businesses in these areas for the delivery of environmental and social benefits'.*

The RDP sets out simple results indicators – number of participants and area under management, in line with the CMEF. However there are no meaningful impact indicators (beyond the Farmland Bird Index, which is in any case implemented on a nationwide basis), reflecting the fact that it was only in 2011 that the Scottish Government (SG) completed work on the baseline for the most relevant indicator, that for HNV farming. However, it is less clear why the SRDP, given the statements about the specific benefits of small farms and crofting, does not couch any of its targets or indicators in terms of these holdings.

This report therefore sets out to ask one of the questions set out in the results indicator – what is the uptake of AE schemes – in the context of crofting and to set it in the framework of a HNV farming baseline and other policy concerns. It complements the recently-published report on common grazings (Jones 2012).

[1] 1 Economic Size Unit = €1200 of Standard Gross Margin

2. Getting round the absence of crofting-specific data

As pointed out in (Jones 2010), it is not possible to identify the CAP funding which goes specifically to crofters from those schemes which are open to all producers (i.e. all the main schemes other than the Crofting Counties Agricultural Grants Scheme (CCAGS) which offers support for investments in holdings). This problem bedevilled the SG when it produced the first report on the economic conditions of crofting (Scottish Government 2010) and that report did not find any satisfactory solution. We have previously argued that all croft land should in future be made identifiable through the County/Parish/Holding (CPH) farm code (Jones 2010).

We cannot in good conscience follow the lead of the SG and use 'holdings with a croft' as a surrogate for crofting. It is far from clear what impact non-crofting land has on statistics obtained using this criterion – experience of coming across such holdings during advisory work suggests that though they might be small in number in most areas, the area of non-crofting land in question can be large, and of course is likely to be larger in areas where there is less crofting.

Another weakness of statistics based on the agricultural census is the complications caused by the issuing of multiple return forms to the one producer who happens to have more than one croft, and the uncertainty (to say the least) in how to interpret the answers such producers report for the different holdings (in the author's experience, livestock tend to be declared only on the form relating to the holding which happens to have the producer's Main Farm Code).

As in the two previous reports, we use Integrated Administration and Control System (IACS – the system used for claims under CAP schemes) data in preference to the census, and specifically claims under the schemes most linked to recent or present-day agricultural activity, namely the Single Payment Scheme (SPS) and Less Favoured Area Support Scheme (LFASS). Our starting point is the claim data from 2009 provided by the SG; we assume that changes in the claim pattern in the interim are trivial for the current purpose.

That being said, what was true of the census is also true of IACS – it does not explicitly distinguish crofting from non-crofting claimants. It *is* possible, however, to distinguish claimants who enter common grazings shares at question 2 of IACS from those who do not. Almost all such claimants are crofters (see (Jones 2010) for more discussion of this question).

That does not mean that all crofters have common grazings shares – in some areas many common grazings have been fully apportioned, while in others, crofts without common grazing are common. For this reason, we only use this criterion as a way of selecting a sample of areas *dominated* by crofting. In such areas, scheme participants are very likely to be crofters. We recognise the weakness of even this assumption where uptake rates are very low and so set a very high threshold of 80% or more of IACS claimants having a grazings share.

27 parishes (henceforth, the Sample) fulfil this criterion (Table 1); the 2956 claimants with grazings shares they contain are 67% of all such claimants. The Sample parishes are also amongst the 30 parishes which have the highest absolute numbers of such claimants; the top 14 on that list are all included in the Sample. 21 of the Sample parishes are designated by HIE as Fragile Areas (out of 61 so designated). It is therefore possible to be relatively confident that the Sample is meaningful.

To make the analysis less abstract, we have also worked with two smaller samples for two of the areas known to be dominated by crofting – Lewis & Harris and Shetland. Lewis & Harris is a subset of the larger table; it has 1279 claimants, of which 1209 have grazings shares (27% of all claimants

with grazings shares). Shetland includes not only 7 parishes from the main sample, but also 16 other parishes, making a total of 23. It has 1046 claimants of whom 724 have grazings shares (16% of all such claimants).

In each of the analyses, data for applications from common grazings (for details of which, see (Jones 2012)) were subtracted from the parish totals, so that the data was as comparable as possible to the IACS claimant dataset and to focus as much as possible on croft holdings. It is acknowledged that in some parishes, the presence of sheepstock clubs (which are IACS claimants) will distort the figures, but since there are approximately 38 clubs in the whole of the Crofting Counties, this complication is considered *de minimis* in the overall picture.

No.	Parish	% of claims with CG forage	No. of claims with CG forage	non-CG LMO AE participants	Total LMO AE spend (£)	non-CG RP AE participants	Total RP AE spend (£)
633	Papa Westray	100.0	6	1	1066	6	150331
890	Walls Foula	100.0	12	0	0	1	19057
754	Lochs	95.8	227	27	28807	3	48348
753	Barvas	95.3	284	20	9244	23	532862
755	Stornoway	95.3	261	11	3998	5	760084
832	Eddrachilles	93.6	44	4	1845	2	12189
756	Uit	93.2	234	11	3616	18	234171
465	South Uist	93.1	390	13	5086	81	2164422
444	Harris	92.7	203	10	3165	16	523006
443	Barra	92.6	87	0	0	5	48997
874	Fetlar	91.7	11	0	0	3	249549
460	Kilmuir	90.6	116	14	14657	13	356763
749	Gairloch	90.2	101	8	7115	3	87197
457	North Uist	89.1	188	14	9850	45	1816709
464	Strath	89.1	49	2	250	4	83756
891	Yell	89.1	98	6	4585	1	12195
840	Tongue	88.1	52	14	4441	4	115799
886	Unst	87.8	72	6	2035	18	694269
758	Applecross	87.5	28	2	150	3	149394
463	Snizort	87.4	83	8	6472	16	367127
839	Farr	86.4	108	18	11122	12	736953
869	Bressay	84.8	28	0	0	2	50188
462	Sleat	84.6	44	2	224	1	16863
168	Tiree	82.6	71	9	6183	70	2309817
828	Assynt	81.3	52	3	665	1	9416
888	Sandness	80.8	21	0	0	3	117383
880	Northmavine	80.4	86	0	0	6	323336
	Totals/Ave.	91.1	2956	203	124576	365	11990183

Table 1. The Sample: Parishes where >80% of SPS and/or LFASS claimants have a common grazings share (highlighting: see text)

3. Results

Inspection of uptake maps for the non-discretionary (Land Managers' Options, LMO) and discretionary (Rural Priorities, RP) AE measures (Figure 4, Figure 5) suggests that though the two measures have quite different patterns of uptake overall, neither has a particularly high participation rate in crofting areas. We attempt to investigate in a rather less impressionistic manner whether this is the case.

In the following sections we set out the data for the Sample, Shetland, Lewis & Harris and, for comparison, the 76 parishes of non-LFA Aberdeenshire. This area was chosen to illustrate the best case scenario for RP uptake on a regional level, and has 2192 IACS claimants – approximately twice as many as Shetland and Lewis & Harris and two thirds as many as the Sample.

3.1. LMO

In the Sample the participation rate exceeds the Scottish average of 21% in only one parish – Tongue. 20 out of the 27 parishes have below half the average participation rate, while 6 parishes, with 248 IACS claimants between them, have no LMO participants at all. The average participation rate over the Sample is 6.3% (Figure 3).

5 of the 6 Sample parishes with no uptake are in Shetland. The overall picture for Shetland shows that this is no aberration – 17 of the 23 parishes have no LMO AE participants. The highest uptake is 8.1% - still less than 40% of the Scottish average

In Lewis and Harris, the picture is a bit better, but uptake is still very low. The average participation rate is 6.2% - less than 30% of the Scottish average; the best is 11.2%.

Uptake in lowland Aberdeenshire is comparable to the Scottish average, at 18.3%.

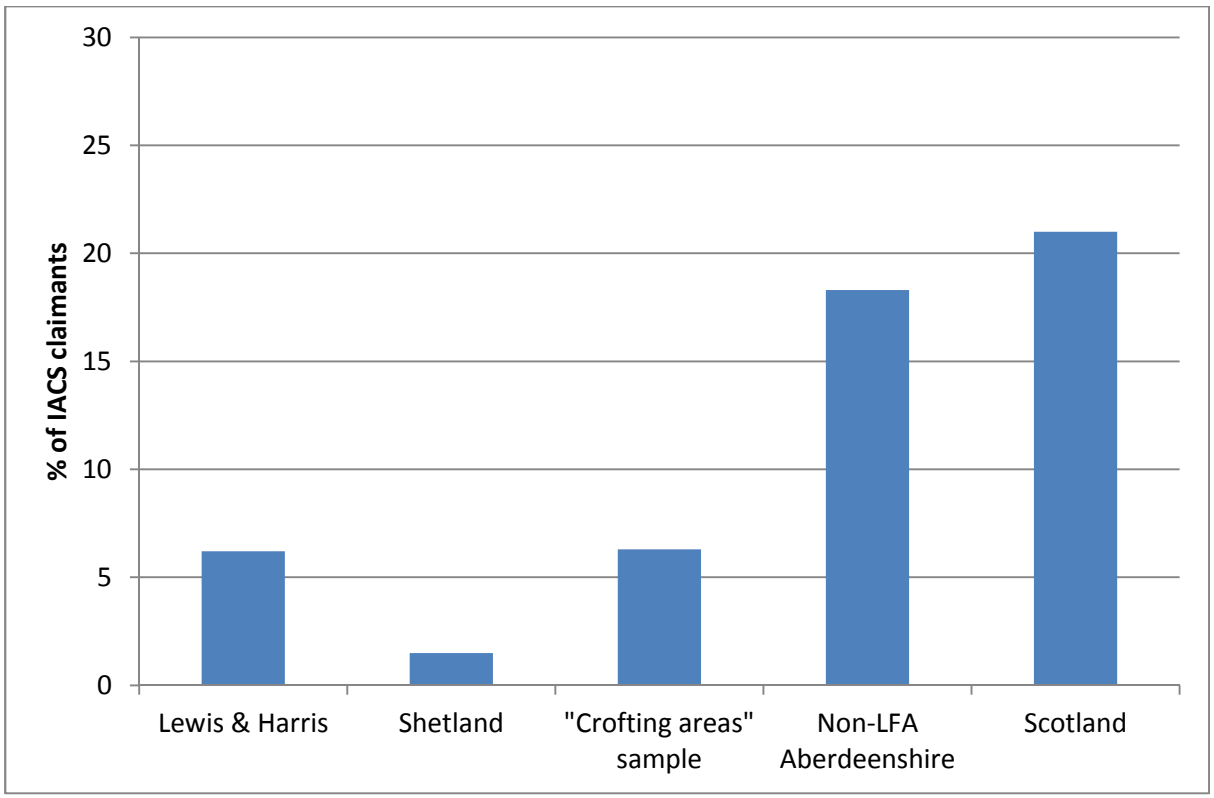

Figure 3. Uptake of LMO AE measures by non-CG applicants as a proportion of IACS claimants in the same region

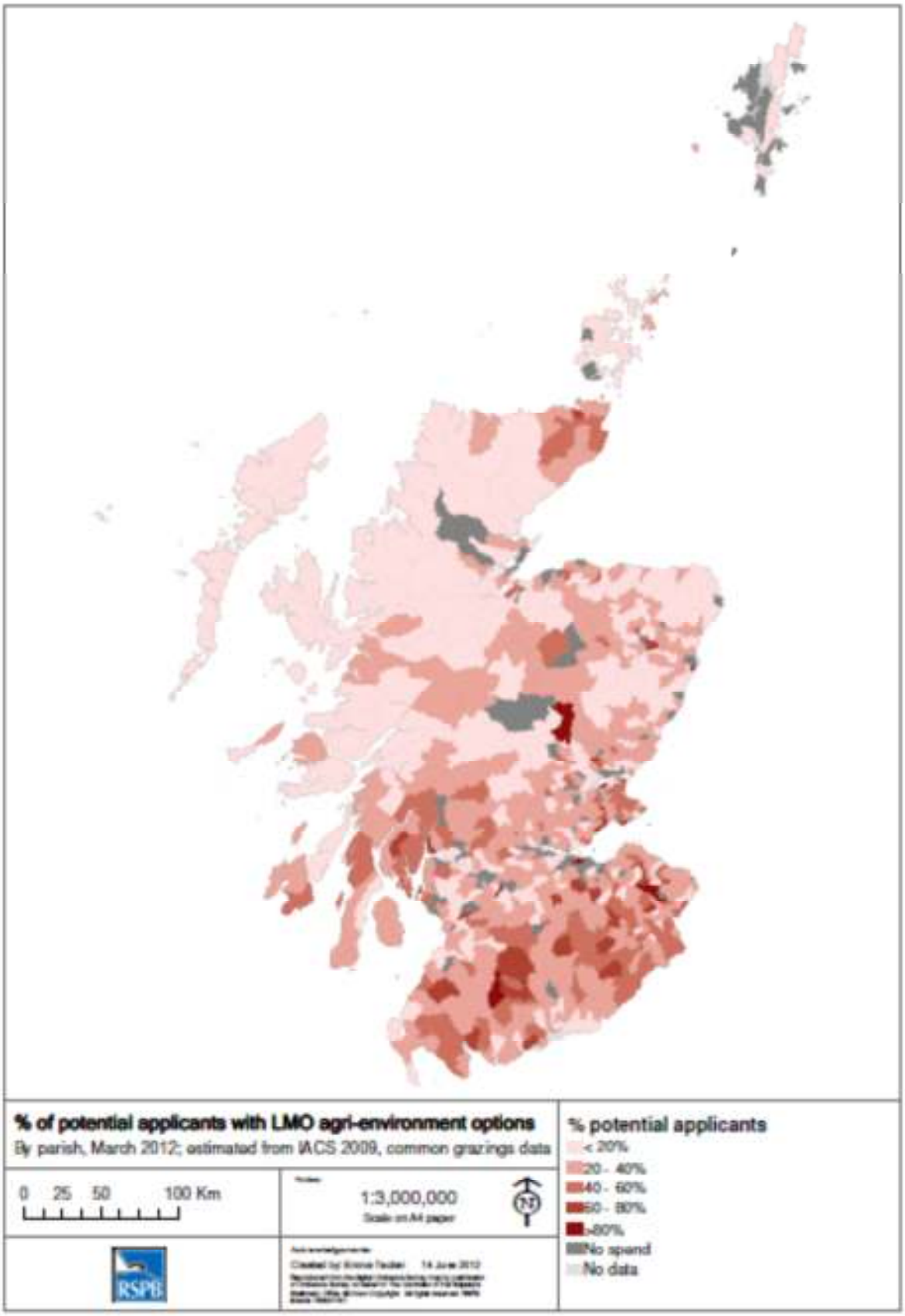

Figure 4. Uptake of LMO AE options amongst all applicants

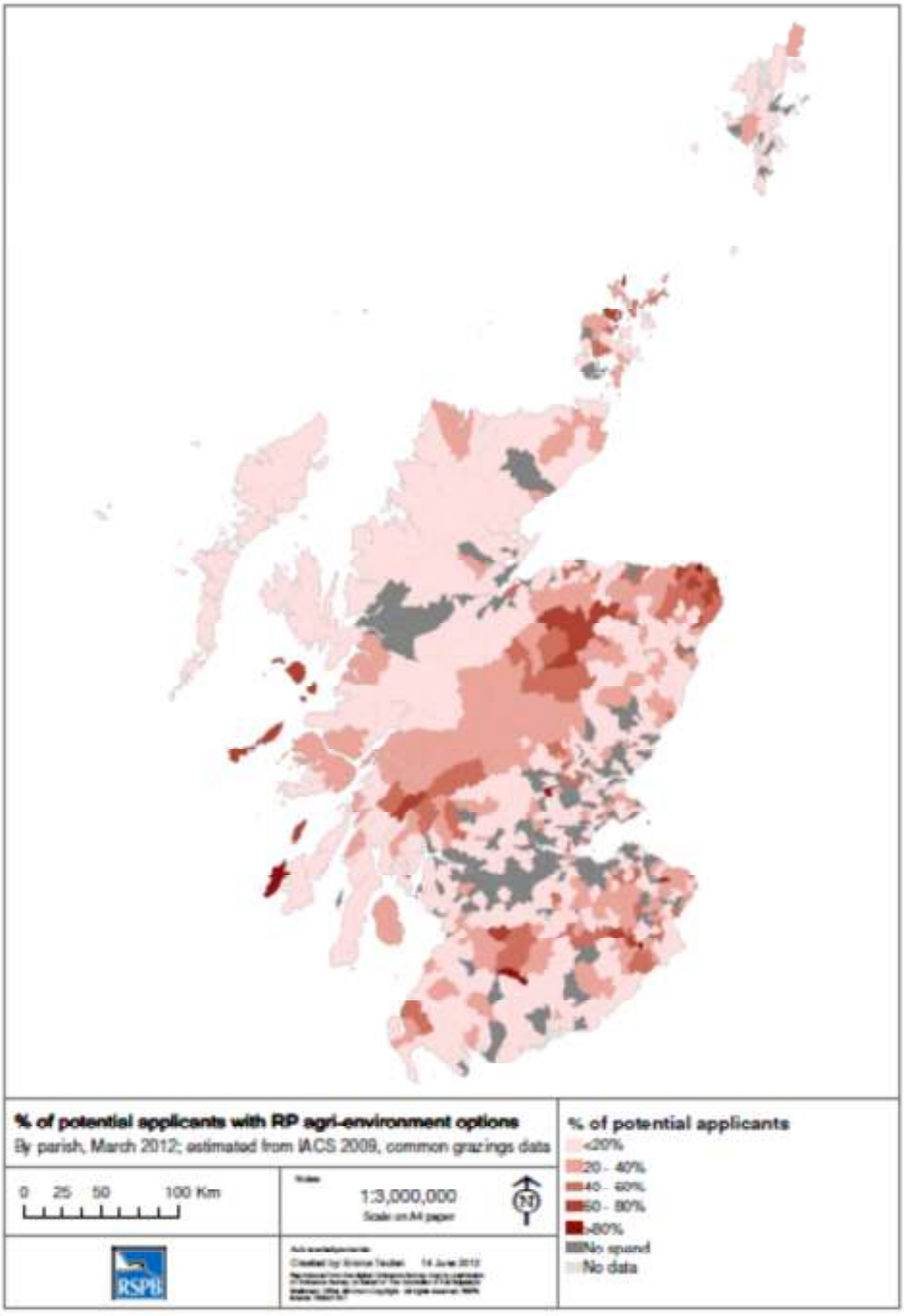

Figure 5. Uptake of RP AE options amongst all potential applicants

3.2. Rural Priorities

In the case of RP, 7 of the Sample parishes have participation rates above the national average of 16.7%. Papa Westray, with only 6 IACS claimants, has 100% participation; the much larger parish of Tiree has an 81.4% uptake; Fetlar, Unst, North Uist and South Uist range between 16.8 and 25%. However, the overall rate of participation is only 11.2%; 16 parishes have below half the national average uptake and two parishes (Assynt, Lochs) have less than 10% of the national uptake rate. The 3 parishes (Tiree, North Uist, South Uist) in fact account for 53.7% of all participants. No Sample parishes have zero uptake.

Shetland also shows a wide variation. 7 parishes – almost a third – have uptake higher than the national average, though the highest has only 28.1%. On the other hand, 13 parishes have less than half the national uptake rate and 7 have no RP AE participants. Overall the uptake rate is 10.2%.

All 5 Lewis & Harris parishes have less than half the national uptake rate, with an overall average of 5.1% uptake. The highest and lowest figures are 7.7 and 1.3%.

All of these samples contrast markedly with lowland Aberdeenshire. The average uptake for that region is 28.1% - the same as the highest value in Shetland and higher than all but 2 of the parishes in the Sample. 39 parishes have uptake higher than the national average; 18 are more than twice the average; 8 are over thrice the average; 5 are over four times the average. The highest uptake was 80%.

On the other hand, low rates did exist in this region as well – 16 parishes had below half the national average uptake, of which 3 had zero uptake (though there is a chance that for 2 of them, this is a data confidentiality issue).

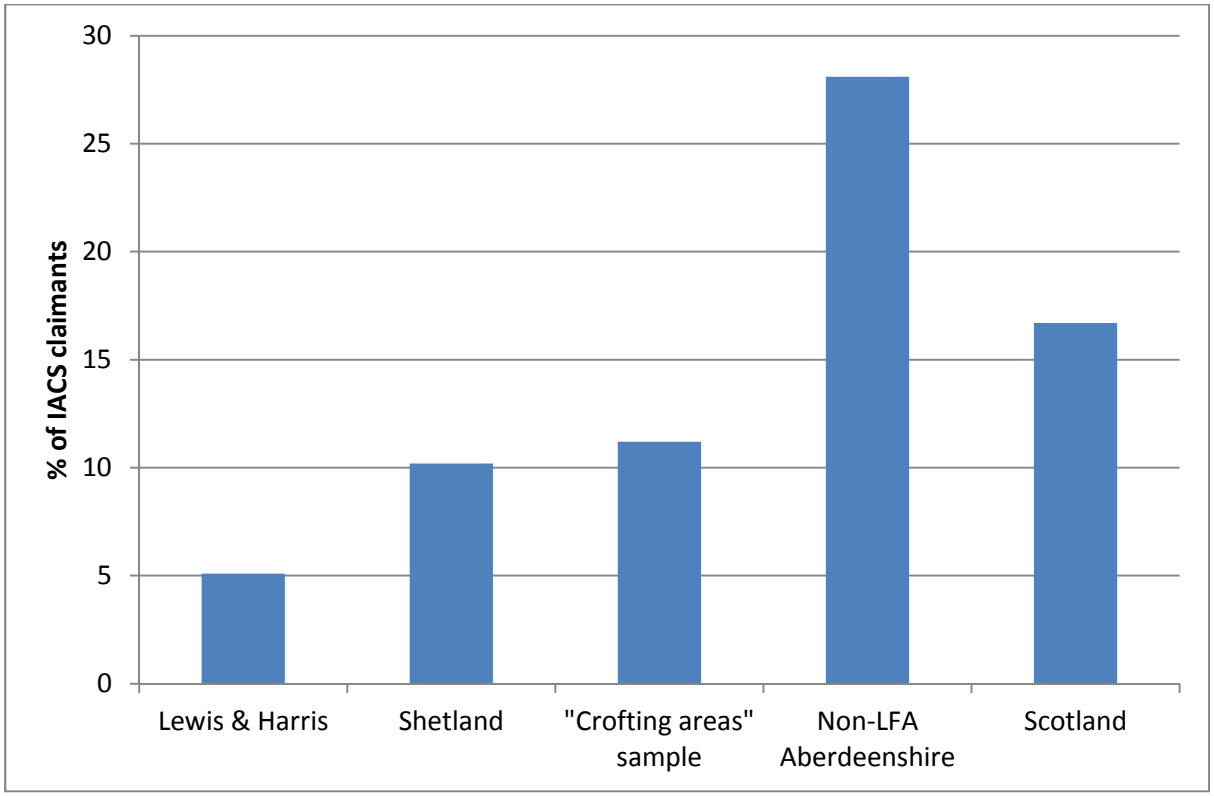

Figure 6. Uptake of RP AE by non-CG applicants as a proportion of all IACS claimants in the same region

3.3. Scheme expenditure

As Figure 7 illustrates, LMO expenditure is dwarfed by spending on RP in all the regions under consideration. In broad terms, it reflects the uptake of the schemes. It is worth recording the curious fact that LMO AE spending committed in Shetland is only £6035, whereas in Lewis & Harris it is roughly 8 times higher - £48,830, which is actually 40% of all committed LMO AE for the Sample parishes.

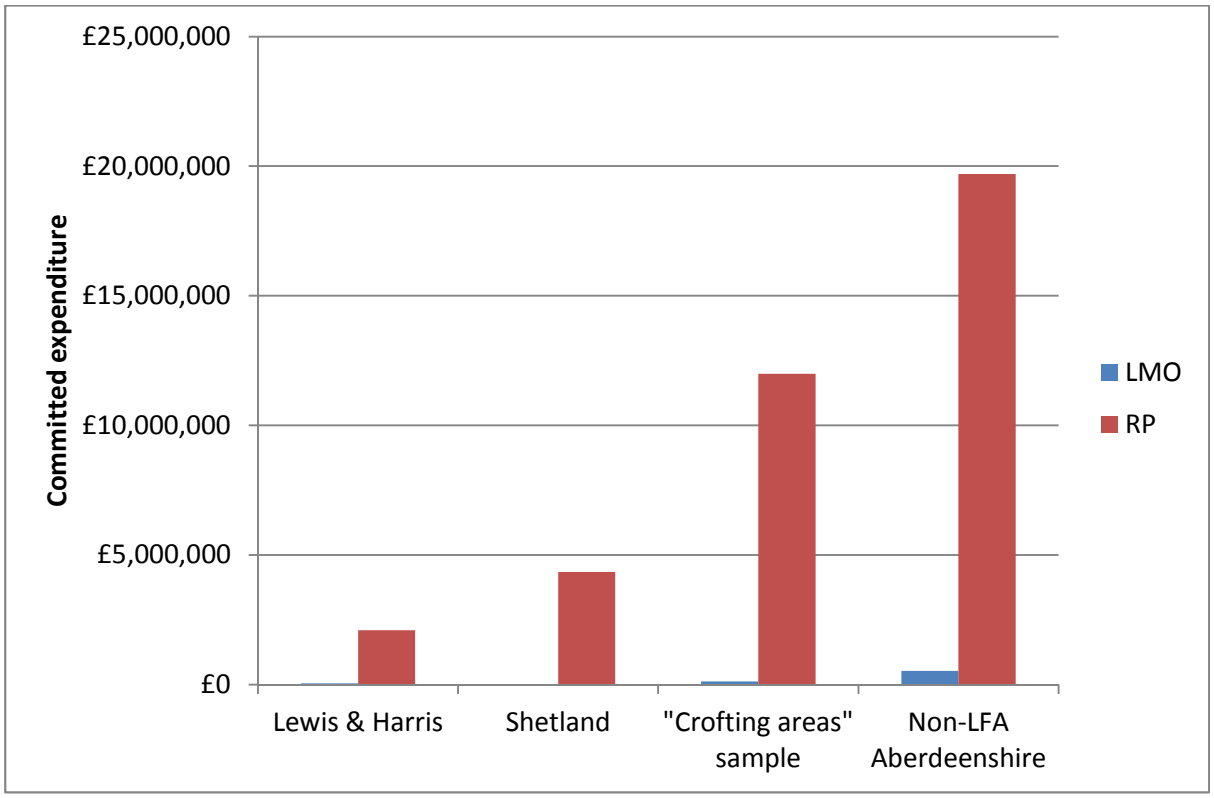

Figure 7. Committed expenditure on AE measures

3.4. Proportionality

Before considering the policy implications of the uptake and spending figures outlined in the previous sections (i.e. where *should* uptake and spending be highest), it is necessary to set a level playing field. What contribution does uptake in the various areas make to the national total, and how does that compare to their fractions of Scotland's IACS claimants? The first line of Table 2 provides this baseline against which the other figures can be compared. For ease of analysis, the figures for the Sample and lowland Aberdeenshire are shown graphically in Figure 8

	"Crofting areas" sample	Non-LFA Aberdeenshire	Lewis & Harris	Shetland
Total IACS claimants	15.1	10.2	5.9	4.9
Total LMO AE claimants	4.4	8.8	1.7	0.4
Total LMO AE spend	2.1	8.8	0.8	0.1
Total RP AE claimants	7.9	13.3	1.4	2.3
Total RP AE spend	6.4	15.2	1.1	2.3
Total all RDP AE spend	6.2	15	1.1	2.2

Table 2. IACS claimants, AE uptake and AE spend as a proportion of the national average.

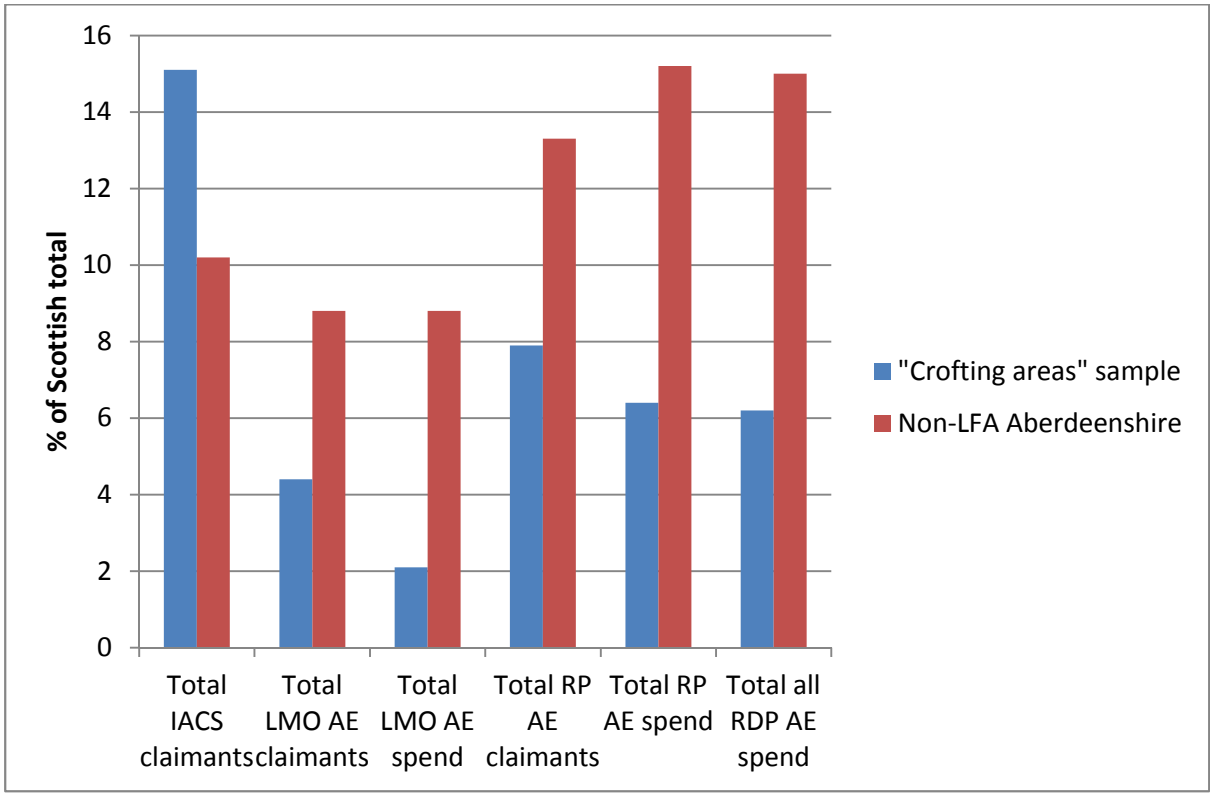

Figure 8. IACS, AE uptake and AE spend as a proportion of the national totals - comparison of 'crofting area' Sample and lowland Aberdeenshire

It can be seen clearly that the 'crofting area' Sample, and the smaller example areas of Lewis & Harris and Shetland consistently punch below their national weight, in both schemes and in terms of both uptake and spending. Lowland Aberdeenshire, in contrast is slightly under-represented amongst LMO participants and in LMO spending, but more than compensates through RP, which makes up the vast majority of total AE spending in the SRDP.

4. Do the patterns of participation make policy sense?

4.1 Is overall uptake appropriate?

It is reasonable to question what level of uptake 'makes sense' for policy delivery in different circumstances. The SRDP is a poor guide in this respect. Is the appropriate management of designated sites in unfavourable status to be achieved through 80% uptake, or 50% or is 20% acceptable, for example. Does the much higher bureaucratic RP application process reflect a desire for tight targeting, or is it merely a way of safeguarding the much higher sums of money involved?

The language of the SRDP suggests the former, but it is striking that although the apparently-similar overall uptake of LMO and RP hides a more extreme (targeted?) distribution pattern in the case of the latter, the difference is not very stark. Parishes with very high uptake levels are rare, though many targeted features (e.g. designated sites) have a landscape-scale aspect which one might expect to be reflected at the parish scale at very least.

We find the same pattern in our samples – RP generally has both the highest and lowest uptake rates (with the exception of the surprisingly low levels of LMO uptake in Shetland). But compare the participation rates in three parishes dominated by designated sites (and with designated interests which have spawned many AE options), namely Tiree, North Uist and South Uist (81.4%; 21.3%; 19.3% respectively). Such a discrepancy surely means that there is either over-participation in Tiree

or that uptake in North and South Uist is much too low. Hopefully such questions will be asked and answered in the *ex ante* evaluation for the next programme.

But the same can be asked of the non-discretionary LMO – what is the optimal participation rate? Is it mainly a matter of distributing the available monies as evenly as possible? If so, then the current distribution 'under-rewards' crofting. But if some of the wider policy goals of taxpayers and their elected Government are being addressed through the distribution of participants and payments, it is not clear to us.

It does not at first sight seem appropriate for the 'targeted' element of RDP AE funding to have uptake levels broadly comparable to that for the non-discretionary element, even in those areas where it does indeed seem to be somewhat (though only somewhat) targeted. It seems to us that targeting which does *not* result in high levels of participation on the targeted farms/areas needs to be specifically justified in the RDP and that indicative uptake levels should be given in terms of % of target land.

4.2. Designated areas and the wider countryside

In the Sample parishes, it is quite clear that the presence of designated sites is a very significant factor in the uptake rate of RP AE measures. This is not surprising – the main assessment criterion which applicants can't affect one way or the other is precisely whether the application will benefit designated sites. Moreover, as has been noted in the case of machair/corncrake areas, many of the more focussed RP options are specifically designed for some of the so-called Features of Community Interest present on such sites.

The Community Strategic Guidelines (European Commission 2006) are however clear – High Nature Value farming should also be targeted by RDPs. HNV farmland encompasses farmed designated sites, yes, but extends far beyond them, wherever farming is dominated by semi-natural farmland managed at low-intensity. Not only is this wider focussing necessary for the achievements of Biodiversity Action Plan (BAP) targets (and that the failure to do so is one of the main reason why the EU did not live up to its promise to halt biodiversity loss by 2010), but even in the Habitats Directive, the obligation laid out for Member States in Article 17 is to report on the range, extent and state of *all* the Annex 1 habitats on its territory. So for Scotland, that means *all* its wet and dry heaths, its blanket bogs, and so on.

While the SRDP gives lip-service to this aim, it is clear that the targeting of RP funding does not reflect this target. Figure 9 shows how the proportion of all farmland which is likely to be HNV varies regionally (taking the total of Type 1 and Type 3 from the SNH methodology (Mackey, Blake, and McSorley 2011). Figure 10 shows how this variation is reflected in RP AE participation – the scatter is large, but the area with the highest proportion (Western Isles) has the lowest uptake of all, while Highland raises cause for concern (especially when the pattern is examined in detail, see Figure 5). Argyll, thanks to Islay, Tiree and Coll, does quite well, but note that Grampian and Tayside still do significantly better, despite the much lower proportion of farmland which is HNV, i.e. highly biodiverse.

What is the reason for this lack of attention to HNV farming? It is not sufficient to hide behind the fact that work on the indicator had not been completed (had not in fact been started, or even thought about, judging from the wording of the interim indicator) – the concept of HNV farming: the importance of low-intensity farming and especially of semi-natural pastures and meadows for biodiversity, and therefore for biodiversity policy, had been well known for years.

Rather, the most meaningful case for the defence would be one of scarce resources – HNV farming *is* important, but we have to focus first on designated sites, especially since so many are in

unfavourable status. But if this is really the reason, it is very difficult indeed to understand how uptake can be so high in intensive lowland Aberdeenshire (Figure 11). What is it about this intensive farming area which means that so many more applicants can participate in RP and that so much more funding is spent there? It is not as if funding is being directed to habitat creation options, for example (Figure 14). We suggest that the balancing of policy priorities, as reflected in the assessment process, must be seriously awry. The *ex post* analysis of the current programme and the *ex ante* for the next must give this issue the highest priority – the problems are not just about the mechanics of application procedures.

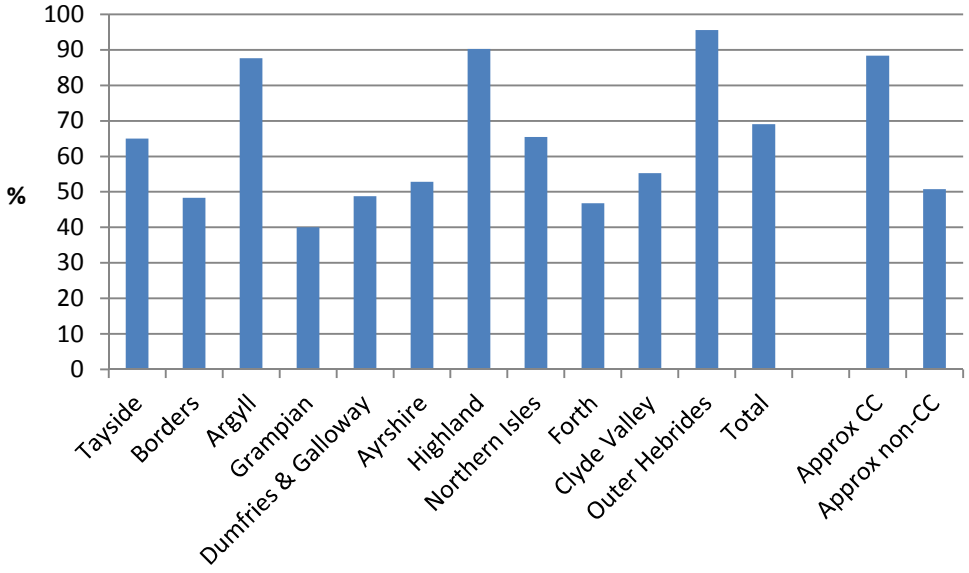

Figure 9. Regional variation in proportion of UAA estimated to be HNV (Types 1 or 3)

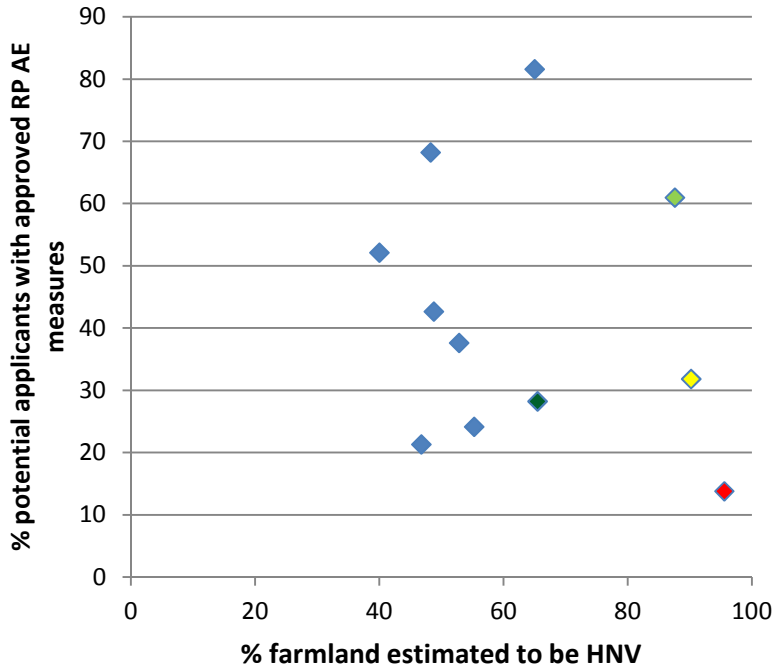

Figure 10. Variation in RP agri-environment participation rates with proportion of farmland estimated to be HNV
Western Isles: red; Highland: yellow; Northern Isles: dark green; Argyll: light green

Figure 11. (From top):

-Walls: one of 6 Shetland parishes with no RP AE participants;

-Stornoway: 1.8% RP AE uptake;

-Strichen, Aberdeenshire: 78% RP AE uptake;

-South Uist - 19.3% RP AE uptake

4.3. Socio-economic implications

We have shown that uptake levels are low in the 'crofting area' sample, but this implies that uptake is also low in HIE's Fragile Areas. But the same low-intensity livestock-dominated areas are also the ones where most RDP applications from farmers are for AE (Figure 12); they don't make up for their lack of AE funding by accessing money for investments or diversification (unsurprisingly) – see Figure 13. In other words, they are getting very little benefit out of the RDP, despite it naming crofting and small farms as specific strengths of Scottish agriculture, which should be taken into account in the RDP.

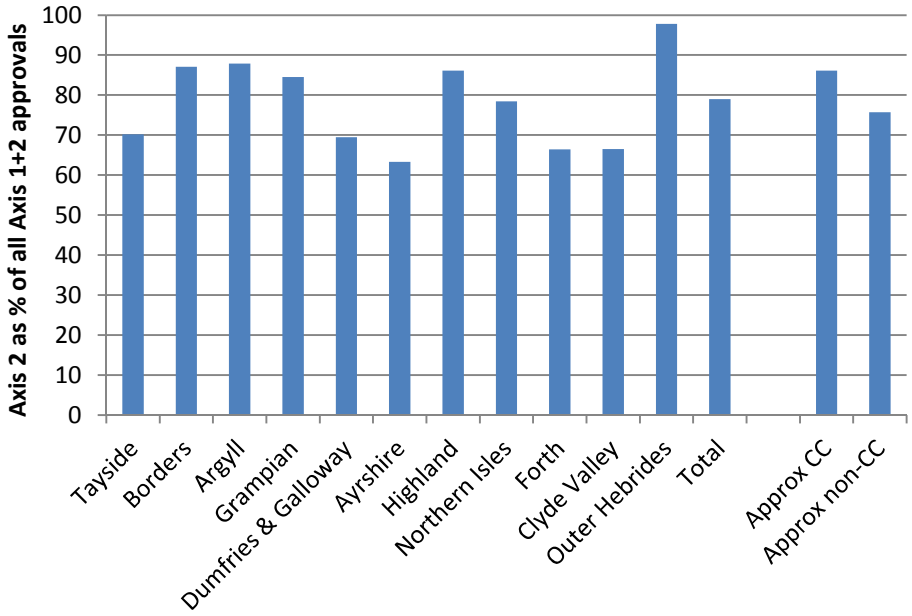

Figure 12. Regional variation in proportion of RP Axis 2 applications

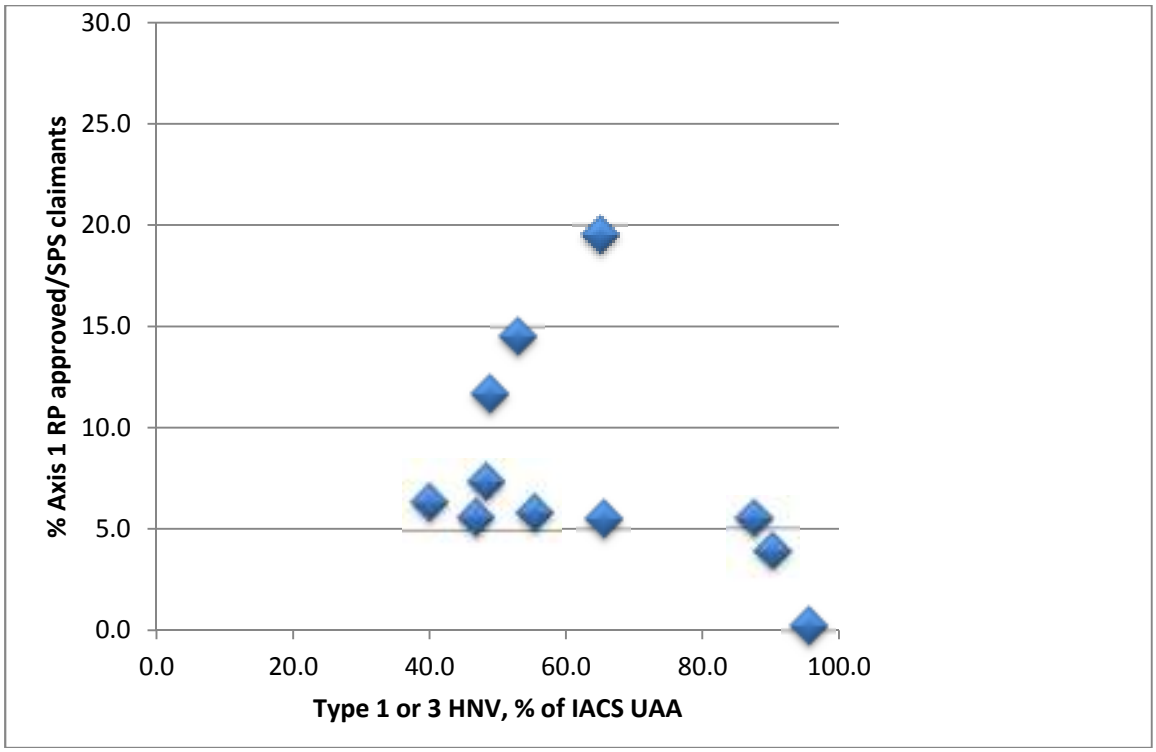

Figure 13. Regional uptake of Axis 1 measures differentiated by proportion of HNV farmland. Highest HNV in Western Isles (1st), Highland, Argyll.

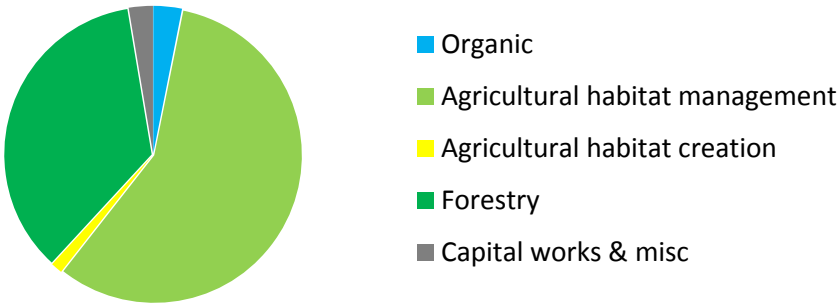

Figure 14. Distribution of RP Axis 2 funds between options (from SG data)

5. Some factors behind the patterns

5.1. Distribution of measures between schemes

The scheme in which a measure is located has a huge influence on uptake, and on the attractiveness of that whole scheme to the potential applicant. In the RP, the ability to draw down assessment points against particular options could make the difference between success and failure when the application is assessed.

The reasons behind the choices made by the SG when allocating measures to schemes are far from clear – what is the difference between rush management (an LMO measure, but one with a reputation for being difficult to administer) and the management of wet grassland for waders (RP)?

The so-called small unit prescriptions are an example of two options which might have been much more popular, had they been in the LMO. Uptake is low (Table 3), especially given the number of holdings with common grazings shares, which is ten times higher.

	Participants	Area (ha)
Small unit management	411	4462
Cattle retention	158	1558
Cattle introduction	169	1866

Table 3. Uptake of RP small unit prescriptions (SG data obtained by Crofting Commission)

The present indications that the separation of measures between 2 schemes will be replaced by a single scheme, with easier entry for applications requesting a lower amount of funding, is to be heartily welcomed. It makes it even more essential that the measures are well designed for crofts and other small farms.

5.2. Problems with measures

The various options directed at rough grazings in RP and LMO present a number of issues, which are discussed elsewhere (Jones 2012). It should be noted that though we cannot see how common grazings can be addressed properly unless they are given specific consideration, they form part of the same socio-economic and agronomic system as the vast majority of crofts and small units. For example, the many cattle which clearly do not attract Summer Cattle Grazing payments (Figure 15) are almost without exception owned by individual producers.

Problems with rough grazings options also affect many crofts – those who have their own hill ground or apportionments – directly. For convenience, the alternative prescriptions suggested in (Jones 2012) are reproduced in the Annex.

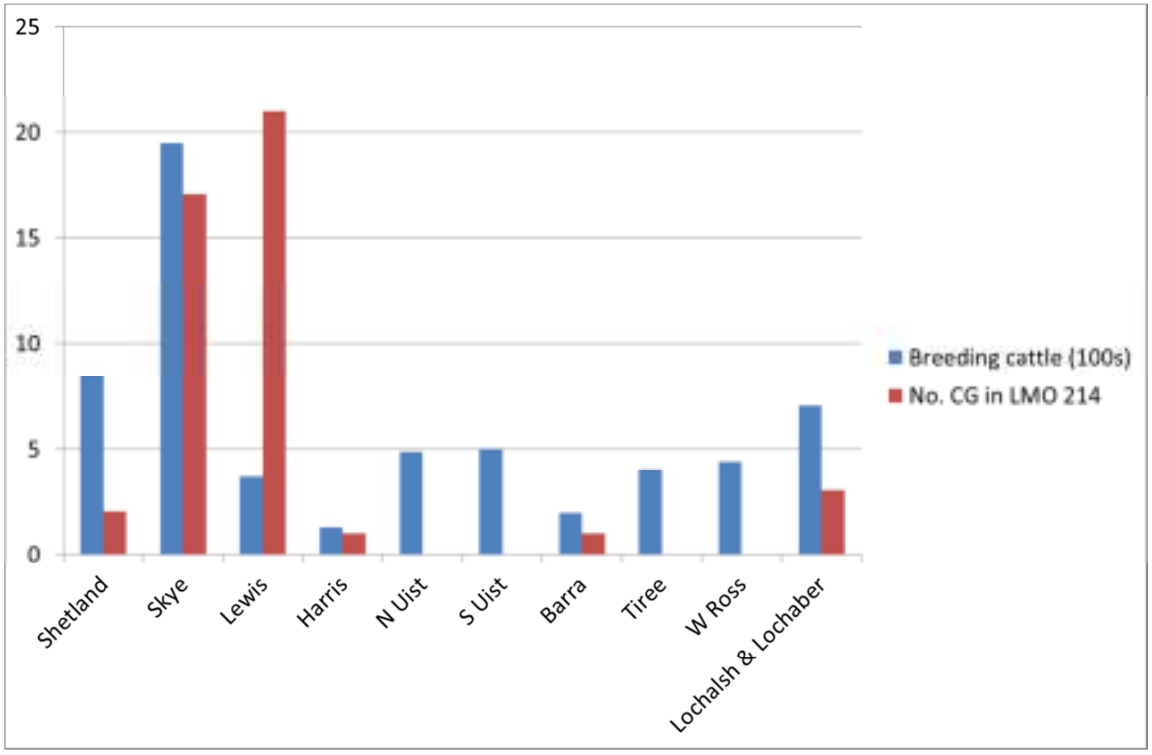

Figure 15. Breeding cows (Allen, 2009) and LMO uptake by common grazings in some crofting, hill-dominated areas

The importance of their being in RP to the lack of uptake of the small unit prescriptions should not blind us to their inherent weaknesses. The simple per hectare payment has the effect of giving easy reward to the large small unit, while not overcoming the fixed costs of the truly small holding.

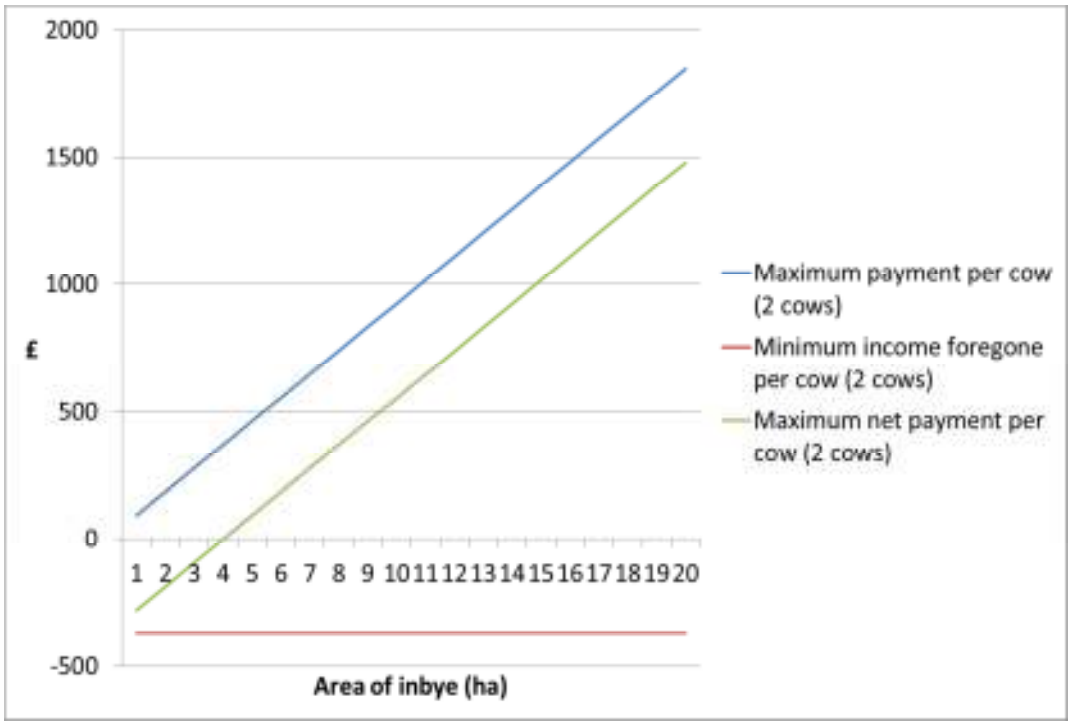

Figure 16. Economics of the small unit cattle retention payment

This a particular issue with the cattle payments (Figure 16), where the need to keep 2 cows is invariable, whatever the size of the holding. The SG's own figures in the Annex to the RDP, which were used to make this diagram (and which do not incorporate any diseconomies of scale for the smallest holdings), show that the obligations are designed to be loss-making for units below just over 3 ha.

The small unit management option is also weak; it could do more to bridge the gap in incentive for appropriate activity, given that SPS and LFASS demand so very little, with the former being claimable on land which is intermittently managed or managed by others. We propose replacement for both small unit measures in the Annex.

5.3. A problem with RPACs?

The salient points from (Jones 2012) bear repeating here. While the LMO is delivered nationally, the RP application process involves an evaluation by the Regional Programme Assessment Committee (RPAC), which injects an extra variable which may be implicated in the regional differentiation in uptake.

In the current SRDP there is no regionalisation of the budget, but this is being considered for the next round. This could have a buffering aspect – ensuring that all regions 'get something' and protecting regions which would otherwise be disadvantaged by the scoring system, for instance. Another way of looking at the same thing of course is that regionalisation stops funding going where it is best spent, whatever that might mean. It is far from clear whether the extra bureaucracy of regionalisation is delivering many benefits as currently implemented. Such questions will be considered elsewhere.

Regionalisation can of course occur without an RPAC and establishing whether uptake is affected by the 'personality' of an RPAC or reflects the decisions of local assessment staff in SGRPID or SNH is impossible to prove from statistics. It is however clear that applications are much more likely to be successful in some regions than others (Figure 17) and that success is sadly unrelated to the proportion of HNV farmland – quite the opposite for the regions where crofting is predominantly located (Figure 18).

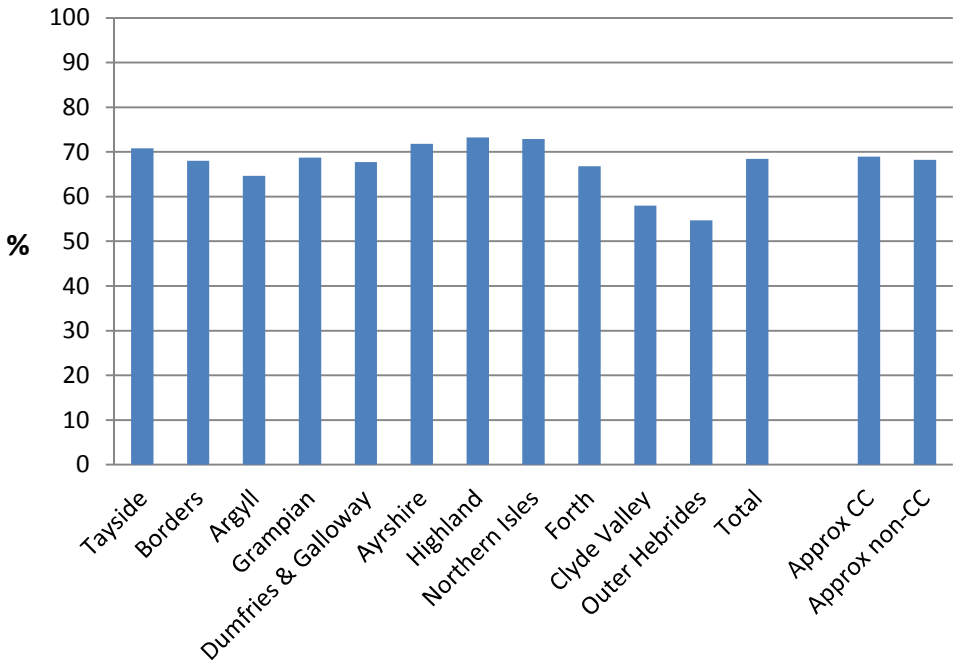

Figure 17. Regional variation in percentage of all RP applications approved

This lack of success compounds the low level of application, potentially resulting in a vicious spiral of demoralisation for potential applicants and their advisors. This raises some serious policy questions, not only about the whole scheme but also the local assessment process.

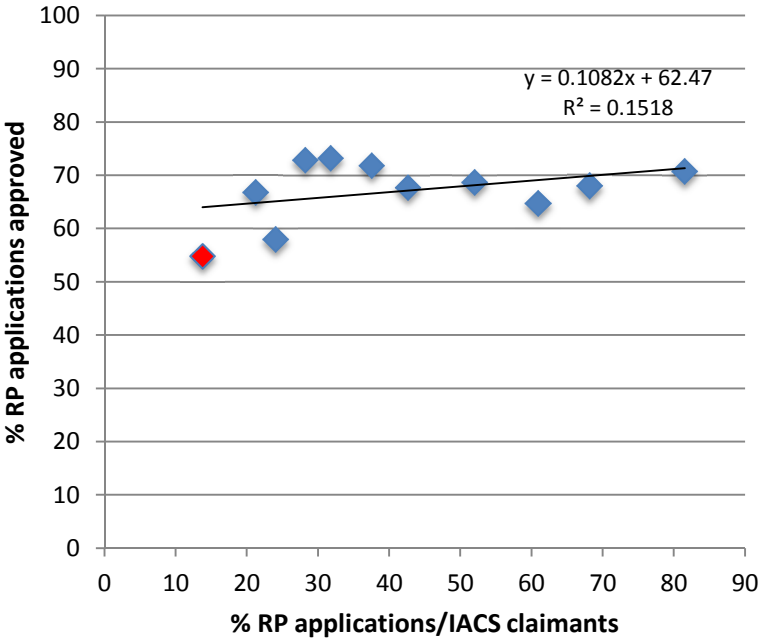

Figure 18. Regional variation of RP approvals by proportion of applications (Western Isles in red)

5.4. Advisory provision

Again, this issue was covered at some length in the common grazings report. SAC (SRUC) advisory office areas which include both better (farming) areas and poorer crofting areas (Thurso, Inverness, Oban) seem to show the biggest difference between general uptake levels and those for common grazings. In the crofting-dominated areas there seems to be a clear difference between Stornoway and Portree on the one hand and Lerwick and Balivanich on the other, steering one away from explanations which centre on differences in land quality (which would lump together Lerwick and Stornoway in opposition to Balivanich, with Portree somewhere in the middle).

Some of the data in this report are difficult to explain; is there a difference in awareness and motivation on the part of potential applicants, and if so, does that reflect a difference in the current and historic advisory provision? Examples include

- High uptake in Tiree compared to apparently similar North and South Uist
- Low scheme uptake in most parishes in Wester Ross, north-west Sutherland and Shetland
- Higher scheme uptake in Lewis and Skye
- Contrast between LMO uptake in Lewis and Shetland
- No uptake of LMO in some Shetland parishes and Barra

The provision of advisory support is partly an issue of resources, and especially of committed and experienced staff in sufficient numbers over a long period. The poor provision in crofting areas compared to the rest of Scotland is illustrated starkly in Table 4. Some more details of the budget provided to SRUC by the SG for the delivery of so-called Advisory Activities, including the servicing of remote areas (AA411), are given in (Jones 2012).

SRUC office	No. SPS claimants	Net CG	Estimated total potential clients	Advisory staff (FTE)	Pot clients/ FTE
Balivanich	724	113	837	2.33	359
Campbeltown	314	3	317	1.25	254
Inverness	1231	98	1329	8.5	156
Kirkwall	807	8	815	3.5	233
Lerwick	1046	140	1186	1	1186
Oban	937	122	1059	4.75	223
Portree	681	179	860	2.33	369
Stornoway	1279	169	1448	2.33	621
Thurso	1314	126	1440	2.5	576
Average CC	8333	958	9291	28.49	326
Rest of Scot	13195	0	13195	73.32	180

Table 4. SRUC advisory provision

In general, and this is the basic pattern to be seen in the AE uptake, the higher the number of potential clients per advisor, the lower the proportion of clients actually serviced – what might be called the 'Advisors are Human' rule (Figure 19). An example is shown in the pattern of the percentage of potential clients subscribing and of IACS forms completed (Figure 20).

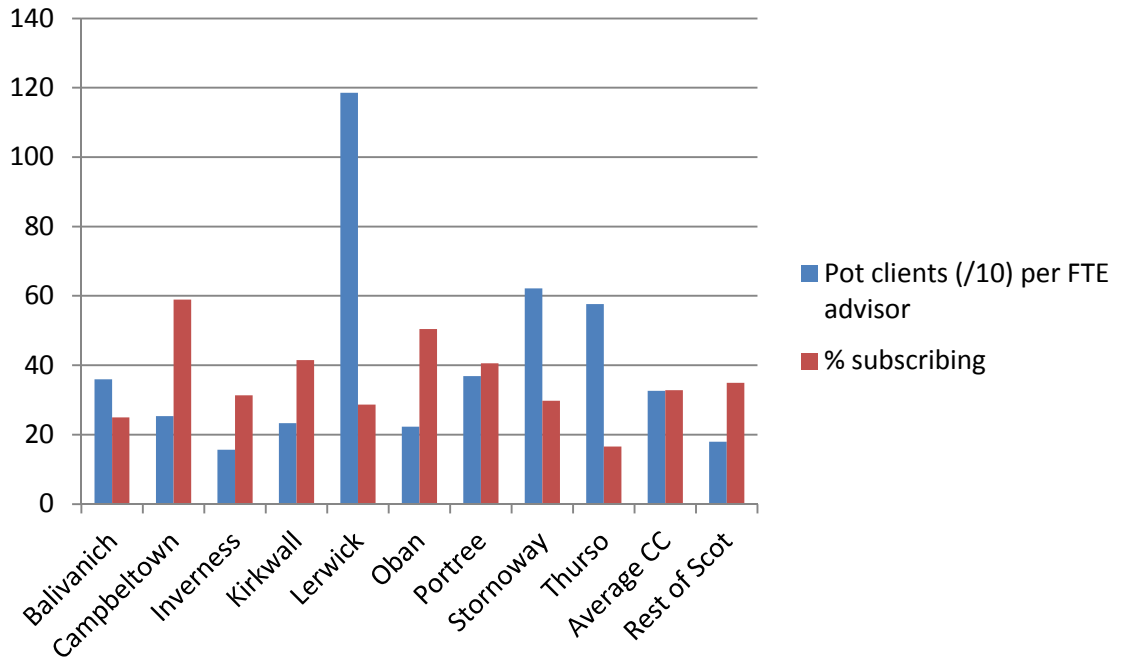

Figure 19. Relationship between client load and penetration

Note that the prevalence of a large 'commercial' potential clientele is reflected in higher penetration rates (Campbeltown, Kirkwall, Oban, for example). Areas such as Thurso which have easy access to such clients as well as a very high number of potential clients per advisor and a large percentage of potential crofter clients have particularly poor uptake rates in AE, suggesting that the output measures for AA411 funding could be tightened up.

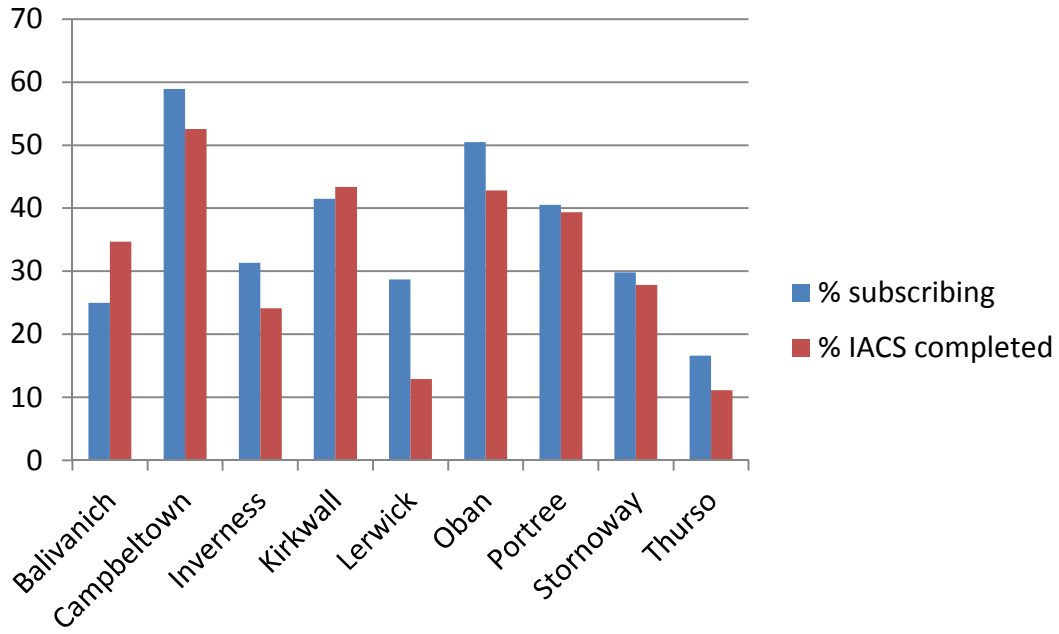

Figure 20. Some indicators of overall penetration by SRUC offices

Having said that, it is difficult not to come to the conclusion that advisory provision for remote areas, and for crofting specifically, needs to be strengthened considerably. To reach a potential clientele per advisor which is of the same order as the rest of Scotland (200/advisor), the Crofting Counties would need an extra 18 FTEs (on top of the existing 28 advisors). The total cost per advisor in the Crofting Counties is currently £81k (SRUC, pers. comm.); allowing for a per capita reduction in central overheads, the marginal cost might be reduced to £70k or so. An extra 18 FTEs would then cost £1.26 million, assuming that all their work was gratis. While an expectation of some extra charged income is not unreasonable, especially where such assistance is available as part of a scheme, the hourly rate being charged to crofters should be reduced as part of any extra funding provision.

What of the financial assistance to RP applicants? In some respects, it comes too late in the process to enable crofters to overcome the initial bundle of factors leading to inertia. Support for crofters needs to address wider and more fundamental issues than the details of the management prescriptions (even if help may still be needed with them).

The advisor must also take the longer view. The client is all too human: failure to enter a scheme is not a neutral experience to which he reacts like the mythical 'economic man', but a highly negative one, which sours relationships between the advisor and affects the chances of even applying in following years. The good advisor has to consider when not to encourage the client and when to push them to make the gamble; it is easy not to bother and getting it wrong can easily lead to accusations of profiteering on the back of marginal producers. While encouragement for advisors to engage with crofters is desirable, a box-ticking, target-meeting approach is also doomed to fail. Funding should create and support a sustained and sustainable advisory provision, which allows a long-term trust relationship to be built up to the benefit not only of client and advisor, but also the SG offices and SG policy objectives.

6. Recommendations

The appropriate Articles of the draft Regulation are given where appropriate. The items given below relate mainly to crofters and small units, but must be further integrated with the needs of common grazings, where appropriate, and with those of the wider agricultural and rural community in marginal areas.

Programming

1. Crofting and small units should feature specifically and in a quantified way in all sections of the new RDP, and unlike the present RDP, it should contain clear and robust connections between the *ex-ante* evaluation, the design of measures and the monitoring plan, including specific crofting-related sub-indicators.
2. Crofts should be specifically identified through the farm code in order to facilitate monitoring and evaluation.

Advice

3. *Art.16.* At least a doubling of advisory provision in Crofting Counties by a reinforcement of the AA 411 mechanism. Advisors should be based preferentially in the offices currently short-staffed and income budgets in those offices should not rise accordingly.
4. *Art. 16*. Serious consideration should be given to adjusting the balance between general advisory funding, within-scheme funding and subsidised consultancy support (and the adjustment of targets where appropriate).

Agri-environment

5. *Art 29.* Design of access mechanisms which enable a significant proportion of HNV crofts and small units to avail themselves of meaningful and relevant AE options.
6. *Art 29*. Replacement of the current small unit management prescription with a measure such as that outlined in the Annex.
7. *Art 29*. Replacement of the current cattle retention prescription with a measure such as that outlined in the Annex. The extra costs for reintroductions should be recognised as with the current option.
8. *Art 29.* Replacement of the current moorland management plan with a measure such as that outlined in the Annex.
9. *Art 29.* Replacement of the current summer cattle grazing option with a measure such as that outlined in the Annex.

7. References

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Annex: Proposals for replacement prescriptions

1) Small unit management

Purpose: Small holdings with grazing livestock kept at low intensity, both within and outwith the crofting parishes, increase the diversity of land use in marginal areas and form an important element in green infrastructure in more intensive farming zones. Within small-holdings, economies of scale tend to encourage simplicity of management, so that the unit does not reach its biodiversity potential, or the abandonment of low-intensity agriculture altogether. This measure supports the maintenance of meaningful activity on smallholdings, going beyond the minimum ‘active farmer’ standard, while encouraging diversity of land use.

You must:

- Meet the ‘active farmer’ test for BP/ANC (though not necessarily claiming either)
- Have an inbye area of at least 1 ha and less than 20 ha, including any such areas of apportionments as have been subject to reseeding or land improvement CCAGS grants in the last 10 years
- Have no more than 10% of this area down to soft fruit, nor more than 30% down to arable crops
- Not have more than [maximum number to exclude intensive poultry units] laying hens nor more than [maximum number to exclude intensive pig units] pigs >6 months old
- Maintain on the land in your IACS at least 0.5 LU of grazing livestock over 6 months old per ha of improved land and 0.25 LU of grazing livestock over 6 months old per ha of unimproved inbye land (excluding apportionments) or 1 LU, whichever is the greater, for the six months from November 15th to May 15th.
- Have a stocking rate of no more than 1 LU/ha for the whole of the year.
- Carry out management equivalent to one of the following options on at least ¼ of your inbye (as defined above)
    - Wet/species-rich grassland management by grazing
    - Wet/species-rich grassland management by mowing
    - Low-intensity arable cropping
    - Low-intensity late-season hay/silage production

Payment rate:
£89/ha

Payment rationale:

- Claimant must meet Active Farmer test (assumed to be 0.06 LU/ha in calculations – would need to be changed according to any decisions made in this regard)
- Costs are calculated using QMS figures.
- The payment allows for a 5% return on livestock and running costs, but not land and buildings, as per the QMS costings.

- Basic element calculated on difference between figures for lowest third of hill sheep flocks sampled at 0.25 LU/ha and 0.06 LU/ha. Justification is that lowest third of sheep flocks are largely from marginal areas, with e.g. lambing % which is typical of NW Scotland.
- Top-up for mandatory additional management calculated on basis of average rate for options available, as below

Basic payment:

	Hill sheep (lowest third)		Per ha at min of 0.06 LU/ha	Per ha assuming 0.25 LU/ha less min. stock.
Output before subsidies per LU	107.82			
Variable costs per LU	112.26			
Gross margin per LU	-4.44			
Fixed costs per LU	187.86			
Net margin per LU	-192.3			
Family labour at Min Wage per LU	41.46	QMS figure		
Net margin per LU incl. family labour	-233.76		-14.03	-44.41
5% return	24.44			
Cost of activity incl labour and return	-258.20		-15.49	-49.06

Obligatory additional management:
- Payment per ha taken to be average of £160.
- ¼ of whole claimed area must be entered into additional management , therefore top-up of £40/ha

Total payment: £89/ha

2) Retention of cattle on small units

Purpose: Low-intensity cattle systems are of great biodiversity value but are in steep decline. The economics of extensive cattle keeping are significantly worse than those of extensive sheep. This measure supports the maintenance of small herds on smallholdings. In recognition that intensive cattle keeping can also occur on small farms, it is subject to a stocking density limit.

You must:
- Meet the 'active farmer' test for BP/ANC (though not necessarily claiming either)
- Have an inbye area of at least 1 ha and less than 20 ha, including any such areas of apportionments as have been subject to reseeding or land improvement CCAGS grants in the last 10 years.
- Maintain on the land in your IACS a cattle herd of at least 0.5 cattle beast at least two years old per ha of improved land and 0.25 cattle beasts at least two years old per ha of unimproved inbye land (excluding apportionments) or 1 LU, whichever is the greater, for the six months from November 15th to May 15th.
- Have a stocking rate of no more than 1 LU/ha for the whole of the year.

Payment rate: £200/ha

Payment rationale:
- Claimant must meet Active Farmer test (assumed to be 0.06 LU/ha in calculations – would need to be changed according to any decisions made in this regard)

- Costs are calculated using QMS figures, with the exception of labour requirements for hill cows. The justification for this is that the sampled herds are very large (average 182 heads) whereas there is a strong 'fixed' element to management of small herds, where no mechanisation is usually present. Family labour calculated as 10 min per cow per day, paid at the minimum wage.
- The payment allows for a 5% return on livestock and running costs, but not land and buildings, as per the QMS costings.
- Payment calculated on difference between average hill cow costings and those for lowest third of hill sheep flocks sampled. Justification is that lowest third hill cow figures relate to poor management (lower calving %, shorter productive life….) which is not related to quality of land, whereas the lowest third of sheep flocks are largely from marginal areas, with e.g. lambing % which is typical of NW Scotland.
- Consideration could be given to a rare breed top-up on this payment

	Hill cows (average)		Per ha at min of 0.06 LU/ha	Per ha assuming 0.5 LU/ha less min. stock.
Output before subsidies per LU	395.48			
Variable costs per LU	249.94			
Gross margin per LU	145.54			
Fixed costs per LU	365.41			
Net margin per LU	-219.87			
Family labour at Min Wage per LU	420.36	Based on 1/6 hr per day/LU		
Net margin per LU incl. family labour	-640.23		-38.41	-281.70
5% return	75.00			
Cost of activity incl labour and return	-715.23		-42.91	-314.70
	Hill sheep (lowest third)			
Output before subsidies per LU	107.82			
Variable costs per LU	112.26			
Gross margin per LU	-4.44			
Fixed costs per LU	187.86			
Net margin per LU	-192.3			
Family labour at Min Wage per LU	41.46	QMS figure		
Net margin per LU incl. family labour	-233.76		-14.03	-102.85
5% return	24.44			
Cost of activity incl labour and return	-258.20		-15.49	-113.61
Difference in returns, incl. NM, labour, return on investment	-457.02		-27.42	-201.09

3) Maintenance and restoration of moorland option

Purpose: These options are used to maintain or restore moorland habitats to benefit upland wildlife, retain historic features and strengthen the landscape character. In addition, in the right situation they may provide an area of flood containment and some benefits to flood risk management. The

measure is available everywhere on eligible parcels. In order to avoid supporting overgrazing, the rough grazings parcels entered for this option will be subject to a stocking density maximum. Management will include grazing the moorland following an agreed stocking calendar. This calendar will reflect the different habitats within the moorland unit and their present condition. It will indicate how many and what type of livestock will be allowed to graze the moorland in each month of the year. This option can therefore be combined with the Summer Grazing of Cattle on Hills option. Restoration may also include grip blocking or temporary fencing, in order to reduce or exclude grazing; these attract separate capital payments.

You must:

- **Either** meet the 'active farmer' test for BP/ANC (though not necessarily claiming either)
- **Or** be a common grazings clerk applying on behalf of a grazings committee or be a grazings constable appointed by the Crofting Commission, in which case the agricultural activity on the grazings must meet the 'active farmer' test.
- Specify what parcels you wish to enter into the measure. Eligible parcels must contain >10 ha of rough grazings or similar unimproved pasture, which must account for >75% of the parcel's agricultural land.
- Produce for each parcel a stocking calendar which addresses maintenance of rough grazings habitats, overgrazing and undergrazing including, where appropriate, seasonal over- and under-grazing. Where this includes bovine animals claimed under the Summer Grazing of Cattle on Hills option, a single calendar can be written for both options.
- Off/away-wintering options and capital works may be combined with this option.
- Maintain for each parcel entered a separate log of grazings animals using that parcel, by species and age class for the whole of the year. Again a single log can be kept for both this and the Summer Grazing of Cattle on Hills option.
- Ensure that the average stocking rate over the same period is <0.5 LU/ha.
- Supplementary feeding is allowed, but feeders must be moved as often as required to avoid poaching. There must be no feeding on or next to archaeological features, steep slopes, footpaths or watercourses.

Payment rate (dependent on minimum activity rule and on any coupled payment which may be available):

Basic payment: £15/ha; Common grazings rate £19.50/ha

Payment rationale:

- Claimant/grazings must meet 'active farmer 'test (assumed to be 0.06 LU/ha in calculations – payment rates would need to be changed according to any decisions made in this regard)
- Payment calculated on difference between figures for lowest third of hill sheep flocks sampled at 0.12 LU/ha and 0.06 LU/ha. Justification is that lowest third of sheep flocks are largely from marginal areas, with e.g. lambing % which is typical of NW Scotland. 0.12 LU/ha is taken to be a representative sustainable stocking level.
- Maximum transaction costs for collaboration applied to common grazings payment rate.

	Hill sheep (lowest third)		Per ha at min activity	Per ha assuming target level less min. stock.
Output before subsidies per LU	107.82			
Variable costs per LU	112.26			
Gross margin per LU	-4.44			
Fixed costs per LU	187.86			
Net margin per LU	-192.3			
Family labour at Min Wage per LU	41.46	QMS figure		
Net margin per LU incl. family labour	-233.76		-14.03	-14.03

5% return	24.44			
Cost of activity incl labour and return	-258.20		-15.49	-15.49

4) Summer grazing of cattle on hills option

Purpose: The summer pasturing of cattle of rough grazings is of great biodiversity value but is in steep decline. The economics of extensive cattle keeping are significantly worse than those of extensive sheep. This measure supports the summer grazing of a minimum proportion of hill cattle in the overall stocking of the rough grazings parcel. The measure is available everywhere on eligible parcels. In order to avoid supporting overgrazing, the rough grazings parcels entered for this option will be subject to a stocking density maximum.

You must:

- **Either** meet the 'active farmer' test for BP/ANC (though not necessarily claiming either)
- **Or** be a common grazings clerk applying on behalf of a grazings committee or be a grazings constable appointed by the Crofting Commission, in which case the agricultural activity on the grazings must meet the 'active farmer' test.
- Specify what parcels you wish to enter into the measure. Eligible parcels must contain >10 ha of rough grazings or similar unimproved pasture, which must account for >75% of the parcel's agricultural land.
- Maintain for each parcel entered a separate log of grazings animals using that parcel, by species and age class for the whole of the grazing period specified below.
- Ensure that on average >20% of all grazing livestock units consists of bovines on each of the parcels entered over the period 1st June to 31st October.
- Ensure that the average stocking rate over the same period is <0.5 LU/ha.
- Supplementary feeding is allowed, but feeders must be moved as often as required to avoid poaching. There must be no feeding on or next to archaeological features, steep slopes, footpaths or watercourses.

Payment rate:

Basic payment: £12/ha; Common grazings rate £15.60/ha

Payment rationale:

- Claimant must meet 'active farmer' test (assumed to be 0.06 LU/ha in calculations – payment rates would need to be changed according to any decisions made in this regard)
- Costs are calculated using QMS figures, with the exception of labour requirements for hill cows. The justification for this is that the sampled herds are very large (average 182 heads) whereas there is a strong 'fixed' element to labour costs in the management of small herds, where no mechanisation is usually present. Family labour is calculated as 10 min per cow per day, paid at the minimum wage.
- The payment allows for a 5% return on livestock and running costs, but not land and buildings, as per the QMS costings.
- Payment calculated on difference between average hill cow costings and those for lowest third of hill sheep flocks sampled. Justification is that lowest third hill cow figures relate to poor management (lower calving %, shorter productive life….) which is not related to quality of land, whereas the lowest third of sheep flocks is largely from marginal areas, with e.g. lambing % which is typical of NW Scotland.
- Assumed that average stocking rate is 0.2 LU/ha. Option only requires 20% of livestock to be cattle, so difference is multiplied by 0.2.
- Maximum transaction costs for collaboration applied to common grazings payment rate.

	Hill cows (average)		Per ha at min of 0.06 LU/ha	Per ha assuming 0.2 LU/ha less min. stock.
Output before subsidies per LU	395.48			
Variable costs per LU	249.94			
Gross margin per LU	145.54			
Fixed costs per LU	365.41			
Net margin per LU	-219.87			
Family labour at Min Wage per LU	420.36	Based on 1/6 hr/day/LU		
Net margin per LU incl. family labour	-640.23		-38.41	-89.63
5% return	75.00			
Cost of activity incl labour and return	-715.23		-42.91	-100.13
	Hill sheep (lowest third)			
Output before subsidies per LU	107.82			
Variable costs per LU	112.26			
Gross margin per LU	-4.44			
Fixed costs per LU	187.86			
Net margin per LU	-192.3			
Family labour at Min Wage per LU	41.46	QMS figure		
Net margin per LU incl. family labour	-233.76		-14.03	-32.73
5% return	24.44			
Cost of activity incl labour and return	-258.20		-15.49	-36.15
Based on NM, cattle LU vs sheep LU	-27.57		-1.65	-3.86
Based on NM plus labour est.	-406.47		-24.39	-56.91
Based on NM, labour, return	-457.02		-27.42	-63.98
Only 20% of potential sheep flock replaced by cattle, therefore per ha:				-12.80