

WEDNESDAY 4 FEBRUARY 2009

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Present

Arran, E  
Brooke of Alverthorpe, L  
Brookeborough, V  
Caithness, E  
Cameron of Dillington, L  
Dundee, E  
Jones of Whitchurch, B  
Palmer, L  
Livsey of Talgarth, L  
Sewel, L (Chairman)  
Sharp of Guildford, B  
Ullswater, V

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**Memoranda submitted by English National Park Authorities Association and The Royal Society for the Protection of Birds**

**Examination of Witnesses**

Witnesses: **Miss Mandy Gloyer**, Head of Land Use Policy Unit, RSPB Scotland, **Dr Pat Thompson**, RSPB Uplands Policy Officer, and **Mr Peter Barfoot**, Director of Conservation, on behalf of the English National Park Authorities Association, examined.

**Q93 Chairman:** Hello and welcome. Thank you for coming along and helping us with our inquiry. We are less than half-way through now so we are still learning as we go along, although you will not be surprised to know that this is one of the inquiries where this subject is of some familiarity to some members of the Committee. This is a formal evidence taking meeting. There will be a transcript taken and you will get a copy of it. You will be able to go over it and any corrections, if necessary, can be made then. We are also being broadcast, although we have never had any evidence that anybody has ever listened to us! Could we start by you introducing yourselves? Do you want to make any opening statements? It would be good if you could, otherwise we can get straight on to questions and answers. I realise you

are representing different organisations and so there will clearly be different voices on some issues, but we will recognise that as we go through the questions.

**Miss Gloyer:** I am Mandy Gloyer. I am Head of Land Use Policy with the RSPB in Scotland where we have obviously a particular interest in less favoured areas, 85 per cent of our agricultural land being less favoured. I also lead for the RSPB on UK and EU advocacy on less favoured areas in conjunction with our partner organisations in other EU Member States. We are part of an umbrella body called BirdLife International where equivalent organisations to RSPB operate throughout Europe. We have recently been in discussion with the Commission about less favoured areas across the EU Member States. I have been leading for the RSPB on this inquiry so I would like to make some opening comments. The first thing to say is that we recognise LFA support as potentially a hugely important strand of rural development support indeed in many countries, Scotland being one. It is more important in terms of budget and probably impact than agri-environment support. That is not the case in England, as you will be well aware. However, our view - and this is shared by our partners across Europe - is that the current system is not working either for its old objectives in terms of halting rural depopulation or for its newer objectives which are specifically related to the environment and the continuation of appropriate land management in the countryside. It is quite obvious certainly from the Scottish point of view that the system is not working. We have had a combination of 50 years of direct support and LFA-type payments and we still have a situation where our uplands are in fairly serious decline. We have got figures coming forward about a loss of livestock in the uplands, younger people leaving and a loss of skills. I will not elaborate further because I am sure you will have plenty of examples of your own. However, although we feel the Commission's recent review does not quite go far enough to reform a system of support that could be really important and currently is not working at its best, we do have views on where we think that support should go in future. I think there is

general agreement that it has a unique role to play in supporting the kind of extensive livestock-based farming systems that produce a range of what we call public benefits, so benefits for habitats, for species and benefits in terms of environmental services like water catchment and carbon storage. There are farming systems and crofting systems in Scotland that deliver those as part of their existence, no change in practice is required to deliver that and we feel those are the systems that are not currently being properly supported through the LFA scheme.

**Dr Thompson:** Good morning. My name is Pat Thompson. I am the RSPB's Uplands Conservation Officer. I am based in Newcastle. I have worked for the RSPB for about 15 years. I was born and brought up in Sutherland in the north Highlands of Scotland so I am very familiar with the upland landscape and spent a significant proportion of my working life in the uplands. My role in the RSPB is to help shape our uplands policy across the whole of the United Kingdom. I work with scientists, policy colleagues and colleagues who actually deliver land management in practice across the uplands. My role is to act as an external conduit for our thinking, engaging with a range of external interests about the uplands and trying to re-profile the way we think about our upland landscapes.

**Mr Barfoot:** Good morning. My name is Peter Barfoot. I am the Director of Conservation for the North York Moors National Park Authority. I am here representing the English National Park Authorities. I provide a lead on our joint working group on agriculture in conjunction with my chief executive. Whilst we have more severely limited resources than the RSPB to put into these exercises, we do try and comment on both European and national policy. My background is in rural conservation. I have worked for the National Park for over 20 years. Most of that time has been in terms of conserving and working with upland farming communities and so I do have reasonable experience of upland agri-environment schemes, indeed I have designed and delivered them, and in the current agri-environment schemes that

are available to farmers in our LFAs. I understand you have already received information about the proportion of English LFA which is actually National Park or an Area of Outstanding Natural Beauty; it is about 40 per cent and a significant proportion of that is also SSSI. The evidence I hope to provide is emphasising the wider values of those landscapes not just in terms of conservation but also in terms of appreciation by the wider public, their recreational value and their cultural heritage value.

**Q94 Chairman:** Thank you very much. The RSPB's evidence outlines some of the public benefits produced by uplands. Could you elaborate on the public benefits that flow from management of less favoured areas, and how it is possible to assess public demand and willingness to pay for such benefits?

**Dr Thompson:** First and foremost, for us LFA, in particular the severely disadvantaged area is very much synonymous with what we define as upland across the United Kingdom. Increasingly we are coming to understand how incredibly important our upland landscapes are. I say increasingly because I think hitherto we have often not given them the respect that perhaps they deserve. When we think about the upland landscape in terms of the benefits they deliver for society we are really thinking about things like water capture and water filtration. Water capture is a really good example. Something like 70-90 per cent of the water we drink in the United Kingdom is actually captured in upland catchments and that water goes to our great cities like Birmingham, Liverpool, Manchester and Glasgow, for example. Water is one of those products that have a marketable value, but interestingly the price that the consumer pays for water is in part related to the expenditure that the water companies invest to make sure that the water reaches us both in good colour and good quality. In terms of some of the benefits that we will talk about, clearly water already has a marketable value. It is also highly relevant to remember that something like 50 per cent of the UK population gets water which is from a peatland catchment. So water storage is important.

Water regulation is increasingly important. We are very interested in thinking about the upland catchment in the context of what happens downstream. So actually managing these big upland landscapes in a way that makes sure we have not got run-off happening in an uncontrolled way or in a way that causes problems downstream is clearly something that we are very interested in from a management perspective. Our upland soils, particularly peat, have a very important climate regulation function. Peat, as I am sure many of you will know, is an incredibly important carbon store. Peatland is formed by peatland vegetation which when actively forming actually sequester carbon. So healthy peat bogs not only have a big supply or store of carbon underneath them, they also grow and accumulate peat and lay down carbon. Our upland habitats, particularly our peatland habitats, have a very important function as we begin to think about the context of the upland landscape and a changing climate. If we manage these landscapes in the wrong way that vast peatland store, which extends to something like five billion tonnes of carbon, would be put at risk. That takes us on to the landscapes themselves. Our upland landscapes, many of which are protected landscapes as National Parks and Areas of Outstanding Natural Beauty, are incredibly important places both in terms of the opportunity that they offer for society to recreate and to test themselves. They are landscapes that inspire people. We recognise that these landscapes are increasingly important to our overall spiritual and physical health and well-being. So we see our upland landscapes as offering a variety of different public benefits, many of which we think are actually almost delivered coincidentally through the support systems that we have in place at the moment. It would be inappropriate for somebody from the RSPB not to talk about wildlife. We believe that wildlife or biodiversity is indeed one of the incredibly important services that our upland landscapes provide us with. The LFA comprises extensive areas of special sites that are designated as Sites of Special Scientific Interest and Sites of European Importance and these sites comprise a suite of internationally important habitats, things like

machair, blanket bog, upland heathland (heather moorland), for example, which supports a range of important birds, mammals and invertebrates. Increasingly we are beginning to understand the overall value and, in some cases, the economic value of the range of different benefits that exist but, particularly from our perspective, we recognise the economic value that wildlife can have in some rural communities. Let me come back to the key point about what impact management has on a variety of these benefits. In some cases we have conflicting land uses sitting across these upland landscapes, some of which benefit some of these services and some of which actually impact in a negative way on some of these services. We have got a variety of different support mechanisms that underpin the delivery of some of these services but by no means all. Some of them have a marketable value and some of them do not. On the second part of your question as to where on earth the public comes into this in terms of the value that society puts on some of these kinds of services, I actually think that this is very much an emerging science. There is a range of different work underway right now, some of it being conducted by Defra, some of it being conducted in England by Natural England, that is seeking to better understand what the true benefits of some of our upland landscapes actually are, where those benefits being delivered and what value society puts on them. So we have got a range of work going on to try and understand if we can put economic values on some of these services. As I have already hinted, some of these services clearly have a marketable value and some of them may have a marketable value going forward into the future, carbon being a really good example. I think we have got an awful lot more to do to better understand the role that the public play in shaping the policy for our upland landscapes and clearly there will be some areas where the public very much have an affinity with some of the aspects that I have been talking about and there will be other areas where perhaps the public are not that interested, but that should not mean that those benefits are of any less value. Obviously we have got things like National Parks where we get 70/80 million day

visitors a year. To some extent in some of these places the public are voting with their feet, visiting as they do in their thousands, but it is also interesting to note how some of our big businesses use upland landscapes to sell some of their products, food, drinks, cars and outdoor clothing, for example. Clearly there is something about the upland landscape, that sense of freedom, that sense of wildness, whatever it is, that even corporate interests sometimes cling on to as being something that they think will help sell their product or add value to their product. It is very much an emerging science and more needs to be done to better understand the public perception of some of these benefits.

**Mr Barfoot:** The value of these upland landscapes cannot be underestimated. We have recently done survey work of our visitors and non-visitors and 96 per cent of the response regarded the National Parks' landscapes as being their key value. We have rough figures just coming out from the last couple of years of visitor numbers to the National Parks and those show that there are approximately 66 million visitors per annum to the 12 English and Welsh National Parks, that is just over 100 million visitor days and it is worth a total of about £3 billion to tourism businesses. That is an awful lot of money for those areas, but that money does not go into the management of those remote areas. The uplands landscape and their continued management are very important. I have circulated the study on the south-west uplands, I do not know if you have received it as part of your papers, which is a selection of public benefits in the south-west uplands with an emphasis on moorland and that is looking at Exmoor, Dartmoor and Bodmin Moor, which is very interesting reading. One of the things that emphasises is the cultural heritage, the historic value of these areas. The three uplands in the south-west of England contain ten per cent of England's scheduled ancient monuments. My own National Park, the North York Moors National Park, contains 33 per cent of Yorkshire and Humber's scheduled monuments, although it is only 9 per cent of the area. I have here a photograph of one of our areas in the North York Moors, it is Danby Rig near

Castleton and it shows the density of prehistoric features on that rig. The visibility has improved because it has recently received a controlled burn. Behind that is a map of the density of these archaeological features. They are right on the surface. They are exceptionally fragile. If you drove a tractor across them you would destroy them. You can scarcely put your foot down without stepping on prehistoric remains. Can I pass that round?

**Q95 Chairman:** Yes, please do.

**Mr Barfoot:** These areas are unique in terms of the density of the archaeological remains and they are all concentrated. We have everything from Neolithic through to recent industrial heritage remaining right on the surface and without continued management these areas become very vulnerable. They have never had trees on them since the last Ice Age because it was the people who put the archaeology there who removed the trees, so they are very vulnerable in that respect. People do not tend to realise just how rich these sites are.

**Q96 Chairman:** On the basis of the case you are making so far, if you look at the map the RSPB have provided us with on the “Average Less Favoured Area Payments 2005”, there is a bit of Scotland that I know something about, that bit in the north-east, that seems to have some of the highest payments, yet basically it has just about the most boring countryside in Scotland that you can have. Why make any payments to them?

**Miss Gloyer:** That certainly has to be an issue that has to be addressed in delivering public funding and the objectives for which it should be delivered. The reason we submitted these is really just to show how broken the LFA system of support is when you can look at it very closely at national level. I make no excuse for using Scotland as an example, I know it best, but it is also, luckily for us, one of the examples where we have managed to secure the data from Government. For a lot of other EU Member States this information simply is not available and they look with envy at us for managing to have the transparency to look at this

data in the first place. Really what this highlights to me and certainly to my colleagues in other EU countries is that the current rationale for making less favoured area payments is supposed to compensate for productive disadvantage. Therefore, one would expect a pattern of payments that was the reverse of direct support payments, ie Pillar I single farm payments. What you find when you drill down and look at the data is that the map of single farm payment direct production related support looks like that and curiously the map of less favoured areas support in Scotland mirrors that pattern. There are a number of reasons to do with the complexity of how the system is administered in Scotland and its historic basis, coming from an almost production linked compensatory allowance, that allow it to look like that, but I would have thought any objective eye on that would recognise that that simply does not fit with what less favoured area support is meant to do.

**Q97 Chairman:** Your justification of LFA payments would seem to me to lead to the inevitable conclusion that there is a very strong case to reduce the area covered by LFAs.

**Mr Barfoot:** I think the situation in Scotland and Wales is very, very different to that in England. In Scotland and Wales the Single Farm Payment Scheme is based on historic payments and therefore reflects the historic distribution of production based support. In England that still is the case to a certain extent, but there are transition mechanisms in place towards a single flat rate payment. The HFA payment in England is focussed on limited areas to a much greater extent than in Scotland and Wales. That is a single flat rate payment for moorland and non-moorland areas and is decoupled. Therefore, at the moment it does not support farming activity per se in as much as you can claim HFA on moorland and other areas which you have access to but you need not necessarily farm. This has caused the removal of stock from areas in England and I think is partially responsible for the removal in Scotland. I think it is important to recognise that the two systems, Scotland and Wales and England, are very different and a similar approach may not be appropriate in the two areas. Certainly we

would be concerned at a reduction in the LFA. We support the move to an Upland Entry Level Scheme because it supports farming activity directed at environmental benefit. Any dilution of that is removing what limited support there is in recognition of the difficulties of farming in that area. The English system has LFAs deeply embedded in the whole support structure. The standard payments from the Single Farm Payment Scheme are lower in disadvantaged areas. The management payments for a lot of the elements in the Entry Level Stewardship Scheme are lower in the LFA areas. The HFA at the moment and the UELS in due course is the only mechanism by which some sense of balance can be restored and whereby farmers who are in effect delivering most by way of public benefits can be recompensed for their extra labour.

**Q98 Lord Brooke of Alverthorpe:** I would like to come back to wildlife with rather a simple question. I would like to know what is most beneficial for birds, reversion to land in its common natural state or does the RSPB prefer it to be managed instead?

*Dr Thompson:* I think increasingly we recognise the importance of positive, active management. It does depend what your objectives are, but for many of the birds in our upland areas, for example, we recognise the contribution that land managers make, both hill farmers and heather managers, in the way that their livestock grazes, the vegetation, or the way in which the moorland manager may in some places burn heather to create diversity and structure across the moorland upland landscape. So management is incredibly important. The maintenance of the livestock and the skills and people to deliver that management is also incredibly important.

**Q99 Lord Brooke of Alverthorpe:** Is there any science on what is most beneficial for the birds?

*Dr Thompson:* Yes. For some of our moorland birds like black grouse, red grouse, the golden plover, birds like those, for example, we do recognise that it is having this diverse structure, both in spacing and composition that is the most important thing for the birds. If you stop managing those landscapes and they become homogenous then the density of some of those species of birds declines.

**Q100 Lord Brooke of Alverthorpe:** Would not others grow as well?

*Dr Thompson:* Some things would benefit. Often our management activity is delivered for species that are of national or international importance or of biodiversity importance, for example. Whatever you do, there will always be winners and losers.

**Q101 Lord Brooke of Alverthorpe:** So you are not really in the business of looking for the reclamation of land from farmers so that it can go to its natural state for the benefit of birds?

*Dr Thompson:* I never said that! Clearly as we go forward with a changing climate and changing markets then I think it is becoming increasingly clear, whether we like it or not, that some things are happening in our landscapes that we are going to have to start thinking about in a completely different way. So understanding how our biodiversity and indeed other systems react to processes that are more to do with natural processes rather than management is clearly something that we also need to understand. It may well be that our natural processes approach in some places would be a good thing but we do not know that. We are involved, along with a range of other interests, in trying to get beneath the science of this stuff and to understand what impact management or non-intervention has on a range of these so-called ecosystem services.

**Q102 Lord Brooke of Alverthorpe:** I heard you say that you are increasingly working with other similar organisations across Europe. I was wondering whether in fact you have made

any enquiries along these lines that I have been putting to you with those where there is more prevalence of abandonment has there been a growth in the population of birds there or a decline.

**Miss Gloyer:** I think the science is incredibly complex. It depends on which particular species or set of species you are looking at. If you are looking specifically at the impacts of land management changes on birds, it is very difficult to say X is good for birds altogether or Y is bad for birds altogether. This is where RSPB's management differs from management in the wider countryside and this is true across Europe as well. We would manage with specific biodiversity objectives in mind for specific species. We recognise that that is not the case across the wider countryside. However, what we are concerned about not only in the UK but elsewhere in the EU is the impact of increasing unplanned abandonment of traditional agricultural systems with low intensity grazing. Such grazing is good not just for birds and we often use birds as an indicator for the general health of farmed land, but birds are used as an important biodiversity indicator and also as an indicator of the health of ecosystem services or the general health of the farmed land and that is accepted across Europe. Our concern at the moment would be, if support systems are not working properly together, to support that type of farming. What we are increasingly seeing is a non-strategic abandonment and we are not sure yet what the impacts will be.

**Mr Barfoot:** I think the science that is building generally not just with regard to birds but other elements of wildlife indicates a mixed landscape with a variety of different habitats present and a variety of different crops, oil seed rape and linseed and so on, which all contribute to the breadth of wildlife that is present and the diversity that is present. Abandonment, particularly on uplands and on moorland, leads to a more homogenous landscape, i.e. it all becomes similar. We have moors in my own National Park that have not seen management for 25 years and in fact their bird populations are much, much poorer than

those that are managed and grazed. I have spoken about the value of these areas for cultural heritage. I have three photographs here of part of this moorland that had not been managed at all for 25 plus years with a lot of very old heather present. It had an accidental fire across it in 2003 which completely demolished nearly two and a half square kilometres of moorland. This area is particularly renowned for its prehistoric remains and particular the cup and ring stones, which are carved stones with rings and cup shapes in them. The following two photographs show the impact of this fire. These monuments are 5,000 years old and have sat up there perfectly happily for all that length of time and they have virtually been destroyed by the heat of the fire, which I think is a very, very good example of how a lack of management contributes to the loss of something which I think society should be valuing very highly.

**Q103 Viscount Brookeborough:** Therefore, good grouse, moor management and good sporting management is important to the RSPB?

*Dr Thompson:* Absolutely, yes.

**Q104 Lord Cameron of Dillington:** You have mentioned various benefits that payments or management in the uplands brings on water quality, peat preservation, landscape, the cultural heritage, tourism and biodiversity. I am just wondering to what extent those are the direct result specifically of the Less Favoured Areas scheme as opposed to more general farm subsidies or even Pillar II development support. If you can provide a non-agricultural wage for a farming family then you are probably more likely to keep them in the right place. Is the LFA scheme really important in all of this?

*Mr Barfoot:* I think at the moment as it stands the HFA payment is enabling some farm businesses to keep going certainly in England, it is an extra strand of income. It is not necessarily contributing to the management of the land perhaps in the way that we would ideally wish to see it. I hope that the Upland Entry Level Scheme will move in that direction.

Historically the old HLCA, because it was headage based, led to potential damage in upland areas. So I think we are moving in the right direction, but I do not think under the current HFA system it necessarily contributes to the ideal form of management. Having said that, the loss of that level of support could be catastrophic for a lot of upland farm businesses. We have done some work with our upland farmers on our hill flocks, which are losing money. It costs so much per ewe to keep the flock on the hill. Without some form of support then we will get abandonment of grazing off those moor areas.

**Dr Thompson:** We would absolutely endorse that. We recognise that the LFA payment at the moment is actually helping sustain some businesses that clearly are struggling. There is an argument about whether LFA as a whole is working given that we have got declining farm incomes, the average age of farmers increasing, sons and daughters not succeeding into the farm business and in some places reductions in livestock per se. So there is kind of an argument also that is saying “But LFA generally is not working”. We would say that some of the benefits that we are securing in these upland landscapes are almost coincidental of the fact that we have got LFA support at all, although we accept what Peter is saying, but we are helping sustain a land management capacity in these places using the support payment as it exists at the moment. The basis for our whole submission is that this is a really odd way of supporting people. We think that the LFA in itself is a complete contradiction. We have got this upland landscape that delivers so much for society as a whole. The basis of the LFA is to sustain people that are trying to produce food in a really difficult place, a long way away from the markets and a long way away from labour forces. We should be turning that on its head and saying, “these are our most special places. Why do we call them the less favoured areas? We should be calling these places the most favoured areas and actually directing support at those people that are making a positive contribution to sustaining those landscapes and the associated services.”

**Q105 Chairman:** In what you have been saying you have frequently, understandably and approvingly, used the word “uplands”. If we look at the map of LFA payments, there are clearly non-upland areas involved; in fact, most of the high value areas are upland areas getting large receipts. In Scotland it is Caithness, Banff, Buckie and even the Western Isles, Coll, Tiree, Islay, places like that. Would it be your argument that the LFA scheme ought to be radically revised to just concentrate on uplands? Your argument in favour of it has been linked strongly to uplands.

**Miss Gloyer:** I think the problem we have in the terminology we are using in this debate is that we are starting from certain premises which are geographically limited, whether it is geographically the LFA as it now stands or a place that we can draw a line on a map and call “the uplands”. Our view is that in order to justify the continuation of this payment of quite significant amounts of public funding we have to have a robust rationale that is based on what is delivered in return for that public funding. It just so happens that there is a kind of almost handy coincidence often between some of the existing LFA within that boundary and some of the uplands. You have quite rightly shown that it is not an absolute overlap when you map what the European Commission and the European Environment Agency have been trying to do, which is map high nature value farmland, but effectively within the big picture, if you looked at most of Europe, you are talking almost about a coincidence of the same places. Our view is that in the future the rationale should not be based on where you draw a line on the map and what you call it but based on the practices and systems of land management and of farming that as a public we think should be supported with this public funding. Our view is that that should be an evolution of what we are calling high nature value farming. I know the terminology is in development, but we know what we mean and we know what we mean in the United Kingdom, we mean the sort of relatively low intensity livestock based or mixed farming, that tends to be associated with a higher proportion of semi-natural habitat. It tends

to have lower inputs of fertilizers, herbicides and pesticides. It tends to deliver more of the habitats and species benefits that we have been talking about and the landscape benefits and the cultural associations, linked to the fact that these areas that we are talking about which, when you do have to draw a boundary round them to illustrate what you are talking about, tend to be geographically and economically remote. What we are saying is the system as it stands now relies on the drawing of maps. Where we think things should be going in future is a payment based on the practices that are carried out and what is produced as a result of them, which kind of makes this debate a little difficult when we are talking about existing LFA boundaries or the uplands. We have to remember this is rural development policy, this is Axis II of Pillar II of a policy that is Europe wide and meant to be delivering environmental benefits and maintenance of the countryside; it is not a food production policy. I understand the difficulty when we are talking about geographic delimitations, but that is because we think the system is broken as it is and we should be moving to something that can target a bit more accurately public benefits delivery.

**Mr Barfoot:** Again, there is a danger of confusion between the Scottish and Welsh situation and the English situation, which is very different. The fact is that LFA and the existence of LFA is embedded in Pillar I payments to farmers in England because the farmers in the severely disadvantaged area receive a lower payment and that is presumably because of the lower productivity of that land. If that is the case then we are already recognising a social and economic factor, ie that land is less productive and therefore is less profitable. Without LFA recognition then there is no counter-balance to that. The second thing is that I am very wary of the term high nature value farming because I know how these things can get embedded in European legislation and we will find that if it is not of value to nature then it is not regarded highly, and I would be very concerned at any policy that pursued that particular term.

**Miss Gloyer:** The policy is now enshrined within the European rural development policy.

**Mr Barfoot:** Yes, but the introduction to the RDR recognises farmed landscapes, I think it is paragraph 33 of the introduction and paragraph 32 refers to farmed landscapes and the features that they contain.

**Q106 Lord Palmer:** Perhaps I should declare that I am a farmer on the edge of Lamnamuir Hills on the edge of an LFA. Turning to the future, what really ought the rationale and objectives be of the LFA payments? You must have some fairly strong thoughts on this.

**Miss Gloyer:** The rationale going forward with LFA payments has to be fairly robust. When we are talking about the economic, social and environmental issues that affect our more remote rural areas there has to be a very robust justification for spending public money. Farmers constitute one per cent of Scotland's rural population, for example. So in social terms you are paying significant amounts of public funding to a small proportion of the population. In economic output terms, you would be paying significant amounts of public support to a relatively small contributor to GDP, for example. Our argument going into the future is not that that support should be removed from farming at all, it is that we need a justification that is based on what makes the farming constituency in those areas different, what do they produce that is different that can justify paying them and not others.

**Q107 Lord Palmer:** Therefore, it could make the economic argument very, very bleak if it was purely based on economics.

**Miss Gloyer:** Absolutely. That would be our complete view. If there is to be a justification in the future for why that funding continues, it has to be based on the fact that the thing that makes farmers different is that they manage significant proportions of land and, in addition to producing food, which is rewarded now in different ways through different CAP mechanisms and through the market, the key thing that farmers are doing is managing rural areas. In our case 75 per cent of Scotland is farmed. So everything that happens on that land affects

everyone in the country. It affects not just rural dwellers but every single inhabitant of the country because of the influence that farmers and crofters of Scotland have on that land, the environment, the landscape and the services that we have been outlining. So if there is to be a robust justification in future then our view is that it should be based on land.

**Q108 Earl of Caithness:** Do you not really want to shred the whole of the support base for farming and tear it all up and start again? Your policy is much more comprehensive than the route we were undertaking because if you are going to channel funds towards the management of upland areas, how is that going to fit in with all the other farmers and managers of land who do not fit into the uplands but are equally important? Shetland would fall out, most of Orkney would fall out and Caithness would fall out. How does that fit in with the existing system? What are your proposed changes to the existing system for Single Farm Payments and the Habitats Directive? What is all this going to cost?

**Miss Gloyer:** I think you are quite right to recognise that at the moment we are talking about LFA support in isolation. Of course, reform of that support structure has to be seen within the bigger picture, particularly the bigger picture of reform of other CAP mechanisms. The bulk of the CAP payment structure is still paid through Pillar I, so 75 per cent of CAP funding is delivered through the single payment. Our view - and I think this is a view that has increasingly become echoed across Europe - is that since Pillar I payments, that is 75 per cent of the CAP budget was decoupled, so the link was severed to the production that it used to pay for following the 2003 reforms, there is a questionable rationale for that payment. At the moment the rationale is that it avoids environmental deterioration through cross-compliance or ensures basic animal health and welfare standards through the conditions. Beyond that, there is an increasing debate in the United Kingdom and elsewhere in Europe about what that payment is for. In Scotland our Single Farm Payment is delivered on an historic basis. So what people were practising between 2000 and 2002 and the subsidies that they received in

that reference period determines what they are paid today. Increasingly that becomes an irrelevance. So moves to reshape Pillar I support I think are pretty much inevitable even amongst Member States and regions that have already gone down the route towards moving it more to the area-based system, such as England. The RSPB's view - and this is shared by environmental organisations and many other organisations across Europe, in fact the United Kingdom Government as well - is that the future for the CAP should be its evolution into a system of support that is paid through a developed Pillar II. It would be very dangerous to do this too quickly, but gradual evolution would mean that the direct subsidy payment support would decrease but the same amount of funding would be delivered through Pillar II, through schemes such as an LFA scheme that was defined by its public benefits delivery, through the agri-environment, through other Axis I schemes that encourage competitiveness, diversification of the rural economy, all of those sorts of schemes that can be financed through an evolution of what currently stands as Pillar II of the CAP. That is the direction that we would favour things going and it would undoubtedly redistribute the funding that we see on our maps now, that is without question. I would say that is probably why there is resistance not just in the United Kingdom but across Europe from people whose interests are served by the existing structure. So there would be this redistribution of all of these maps, but we would argue that that is the right way to go.

**Q109 Earl of Caithness:** Have you costed your proposals?

**Miss Gloyer:** The CAP budget would remain the same.

**Q110 Earl of Caithness:** Would you get all the management benefits just by using the existing funds?

**Miss Gloyer:** I believe you could, yes. There is a common mistake which is made when people think about Pillar II funding at the moment. Because we are used to the evolution of

sometimes quite complex agri-environment schemes or competitive agri-environment schemes there is a view that Pillar II rural development funding has to be administered only in that higher level, competitive, quite administration heavy way, but that is not the case at all. The sorts of schemes we are talking about would be base level non-competitive schemes such as an evolution of the LFA scheme that would pay farmers in the same way as they are paid now but within the confines of the benefits that are delivered from their management.

**Mr Barfoot:** I think the question from the English perspective actually hits the nail on the head because without complete reform of Pillar I and the existing agri-environment schemes, the Entry Level Scheme in particular, the removal of a geographically based LFA payment would be inequitable because those existing schemes already reflect the existence of the LFA, severely disadvantaged areas particularly.

**Q111 Viscount Ullswater:** I am interested in what you were saying about targeting. Are you suggesting that you are really talking now about land management rather than food production and food production is a byproduct of your land management?

**Miss Gloyer:** It is impossible to separate the two. I think we have to start from that baseline position, food production and management.

**Q112 Viscount Ullswater:** But the land management is more important?

**Miss Gloyer:** Not at all. The direction of public subsidy support is changing. That does not in any way mean that food production is less important. What it means is that the Common Agricultural Policy that we have had since the 1940s or 1950s had a particular purpose and that was increasing food production by linking payments directly to what was produced from the land in terms of food products. We know since 2003 that that is no longer possible. Global trade pressures have meant that that element of CAP funding has had to change its justification. Although food production is the key activity from farmed land, of course it is,

what our argument is saying is that we cannot pay farmers any longer based on what they produce in terms of food product, it is not possible. We have to recognise that the other products of that food production which is rewarded by the market, and rightly so, should be the focus of public subsidy support which is not paid for through the market. So all the benefits that we are talking about, the wildlife, the landscape, the thriving rural communities that we want to see, are unrecognised by markets. What we would argue is that public subsidy support should be targeted at those products and at the same time that supports food production, of course it does, because you cannot separate the management of the land that produces those from the production of the food.

**Q113 Lord Cameron of Dillington:** Your association seems to be indicating that a change to the upland ELS scheme and using the same money in that way would be likely to make it less available to the majority of farmers. Am I clear that you are indicating that there may be dropouts and therefore you would not get the overall benefits of management in that way?

**Mr Barfoot:** No. In broad principle we support the development and implementation of the Upland Entry Level Scheme, although it is yet to be tested in practice. We have lobbied quite considerably. The reason we did not provide written evidence to this Committee was that we were rather busy lobbying on the UELS in order to try and make it workable, to ensure that the full LFA budget was delivered into the severely disadvantaged areas, et cetera, et cetera, and we want to see it work in practice, but it is a geographically based scheme targeted to the severely disadvantaged area which we support. To move to a scheme which is targeted on a broader area in terms of high nature value would not reflect the LFA payments which are available through the Entry Level Scheme and through the Single Farm Payment, both of which pay a lower rate than the LFA. There would be nothing to redress the balance of that. It costs more to farm in these areas. Our farms in the North York Moors have an average of

75 metres of dry stonewall per hectare. That is an awful lot of maintenance on quite a small farm.

**Q114 Lord Cameron of Dillington:** Are they in the SDA?

*Mr Barfoot:* Yes.

**Q115 Lord Cameron of Dillington:** So they would benefit, but it is the other areas which are only in the disadvantaged areas that would have a disbenefit.

*Mr Barfoot:* In the North York Moors we have quite a lot of arable land and quite intensive dairy farms that were in the disadvantaged area and I think that is fair, but they are getting the higher rate from the single payment. I wanted to add two things. From the English National Parks perspective, we do regard food production as rather a useful public benefit from farming and so I do not think we ought to lose sight of that. Also, I think real politic would suggest that Europe would not want to lose completely any influence over food production throughout its entire area. So I do think that the future will not be a complete shift to public goods, environmental benefits, but we will see a mixture. We may see some shift and obviously being an environmentalist I welcome that. I do think that we should not lose sight of the food production elements. I do think that will continue to form part of European policy. That is a personal view.

*Dr Thompson:* The pragmatist in me says that we are on a journey here and there probably is not an ideal answer. We accept that food production clearly is important because that is the thing that land managers say they are doing most and want to do. What is ironic is that very often many land managers do not recognise the important contribution they are making in delivering some of those services and society more largely does not recognise the contribution that they are making to the delivery of those services either. So we kind of recognise that we are on a journey here. I think we are a long, long way away from coming up with a final

result that is a total area-based measure with food not being factored in at all. I cannot imagine that that is in the foreseeable future, but the pressure is definitely growing and the question about what is this going to cost can be turned on its head by saying “What do I get for my money?” and therein lies the tension.

**Q116 Earl of Dundee:** To designate LFAs the Commission suggests several common biophysical criteria. How would you like to summarise your critical evaluation of that approach?

*Dr Thompson:* Obviously we are more interested in what happens inside the boundary than necessarily where the boundary is drawn. We already have a Europe-wide common approach to the designation. We think that will work across the whole of Europe. Each of the Member States and perhaps designated areas need to have the discretion to decide exactly how future support is targeted. I think it is inherent in what we have been saying already, when one talks about the different areas across the United Kingdom landscape, that it would be very difficult to come up with a unified series of eligibility. If one thinks about the south-west uplands through the Lake District, North York Moors and then right up to the north-west Highlands of Scotland, they are all so different that we would have to have a very specific approach to the way in which the support was then targeted in those areas. Adopting a common approach to designation and then a much more dedicated approach to the eligibility on a country basis, a Member State basis or perhaps even on an area basis would fit well with the RDP.

**Q117 Earl of Dundee:** Would you like to summarise how far you would wish to recommend to go in one of two directions or even in both of them at the same time? The first direction being simply to add to the Commission’s current criteria and the second direction to perhaps evolve separately in its own right a second tier of countryside specific biophysical criteria.

*Mr Barfoot:* We accept the European Court of Auditors' desire to see some kind of transparency in the way that these areas are designated and I think that is all very good and right. Our deep concern is that Europe-wide criteria could result in some very, very strange anomalies in England and Scotland and Wales because of our unique oceanic-type climate. So I think we would need additional country-based criteria. I do not have any specific suggestions except to say that in England the severely disadvantaged area is about right. I am afraid I am not well enough informed to understand exactly what criteria they were designated on, but they seem to pick up the areas that we would be most concerned about.

*Dr Thompson:* I do not think we would add much to that, my Lord Chairman.

**Q118 Baroness Jones of Whitchurch:** On the issue of socio-economic indicators, it seems that the RSPB take quite a hard line against this. You talk about needing to reward the environmental benefits of certain types of farming rather than a form of compensation for a lack of productive capacity and that is a theme that runs throughout your evidence. Do you see that there is any role at all for taking into account socio-economic factors? It does not come out from your evidence at the moment. If so, are there particular indices that you could identify that you would see as relevant? What is the National Parks' view on this? Do you concur with the evidence of your colleagues?

*Dr Thompson:* You quite rightly identify that the whole basis of our argument is that the ideas of fragility and distance from market and distance from labour and other indicators was all well and good when the support was there to deliver food production. Because the basis for our argument is all about a wider suite of public benefits then we kind of struggle with identifying the relevance of those criteria. What those criteria tell us is pretty much what we know, that it is difficult farming in areas where the soils are poor, where you are a long, long way away from your markets and things like that. These clearly are important indicators in the context of thinking about how we deliver land management in the future because clearly if

we have not got the right policy in place to maintain the right kind of skills and infrastructure in the heart of our rural communities then how on earth are we going to manage these landscapes? Clearly some of those indicators are highly relevant.

*Miss Gloyer:* It would be easy for it to sound as if we do not think those issues are important.

**Q119 Baroness Jones of Whitchurch:** They do not come out as being important.

*Miss Gloyer:* I think what we are trying to do is focus on what we think LFA support should deliver. That does not mean there are a whole range of rural issues that are associated with being remote, with a lack of infrastructure, with schools closing and with aging populations which are hugely important and affect every aspect of life in rural areas and generally the more remote the more difficult things are. What we are saying is that LFA support should have a specific purpose and it is not the purpose of this support to address those issues. If that is the objective that is decided for the scheme, there would be a much more cost-effective way to keep rural schools open or retain infrastructure or improve ferry services to the remoter Scottish islands than to pay farmers public subsidy to do that. I think we have got to be very clear what the objectives of this part of a rural development policy are and that does not mean that those other issues do not impact on every single person that lives in a rural area or that they are very, very important to their lives.

*Mr Barfoot:* The difficulty we have here is that the proposals put forward by Europe actually specifically exclude social and economic criteria and so to a certain extent that is a given. However, I think we have to accept that the economic criteria are already built into the system. The reason that the Entry Level Scheme payments for land management in severely disadvantaged areas are lower is because the land is less productive and therefore the income foregone is lower. We need to look at the cost of management. It costs more to produce a bail of hay in the uplands than it does in the lowlands. We are now moving towards a situation where the old system of calculation for payments, which was income foregone and

additional labour, is reversing itself. It used to be income foregone and that was the basis of most of the payments. We now need to look at the cost of management. I have said that keeping a ewe on the North York Moors costs the farmer about £30 a year. That is because the subsidy payments are decoupled from that ewe. If we want grazing on the North York Moors and we do, then we have to find a way of paying for that and that is an economic consideration in terms of the cost. How much does that management cost? If we want a shepherd on the North York Moors, we have to ensure that that shepherd can earn a living wage and that shepherd staying in the area then keeps the local shop and the local school open. I think that that is very, very important in these uplands. I think that the current system of calculation of payments by its very nature takes that economic element into consideration or is capable of doing so. One of my disappointments with the new UELS is I think it looked more at income foregone rather than cost of delivery. I am used to that kind of calculation. I cannot see how we start to move away from that and say, "Well, looking after an aquifer is worth this much and looking after woodland is worth that much to the public." It is a much more nebulous form of calculation and I think would be much more prone to skewing and a lack of justification as to how those payments are calculated.

**Chairman:** Thank you very much.

**Q120 Earl of Caithness:** Is it not going to be much more bureaucratic too because if you are looking at the cost of managing and, if you follow Dr Thompson's argument that you can not only just have the EU criteria but you can have national criteria as well, there is going to be a huge emphasis on management in an area which can be very bureaucratic and very costly to ensure that there is (a) sufficient training for people to change the way that they have been brought up from children on what they envisaged they were going to do on the land, and (b) to make certain that annually the person who does the management does it in a sufficient way

that justifies the money you paid him, which is a much more bureaucratic system than we have now?

**Mr Barfoot:** It is more bureaucratic than a flat rate payment per hectare – there is no question of that. I think in England we have had those systems set up; we have had the agri-environment system established which establishes monitoring. Indeed, the Single Farm Payment, which should be very simple, now comes with the cross-compliance requirement which requires monitoring. In terms of training and people managing the land in a different way, there will inevitably be an element of that and that is a very important part of working with farmers generally, but what we are mostly saying is: “We want you to continue managing in the way that you have been but, perhaps, with slightly fewer stock or not using fertilizer on these particular fields, etc”. So I do not think we are usually talking about a massive shift in the way that these areas are managed.

**Miss Gloyer:** Can I follow up on that? I absolutely agree with that. What we also have to remember is that England is an anomaly in the wider European view of what is happening with LFA. What you are talking about in England, effectively, is an agri-environment scheme delimited by a designation. That designation happens to be part of your LFA, but it could theoretically be any other line on a map that you choose to use criteria to define. So this is a plea, really, with my European hat on and, also, my Scottish and Northern Irish hat, to say that when you are considering, for example, making payments for changes to management, (perhaps you are conceiving of something like the English approach, which is an agri-environment approach), what we are suggesting is that payments made through the LFA scheme should not involve changes to management at all. We are talking about retaining what is there, and that is threatened by decline and abandonment at the moment, and that is true across Europe. We have to remember that in all of these discussions England is probably

the odd one out in terms of not having an LFA scheme as such but using the designation to deliver other rural development instruments.

**Q121 Baroness Jones of Whitchurch:** Can I just ask a very simple question: where does the phrase “high nature value” come from? Is it common parlance in the European sector now?

*Miss Gloyer:* It is now, yes. It emerged, I think, during the early-1990s from policy discussions about European pastoralism, and the problems it was facing, particularly. However, it is now accepted by the European Commission and in every country’s rural development programme as a challenge for rural development funding. Each Member State and region is currently involved in a process of trying to pin down exactly what it means in their own country, and I think although it is early days yet in terms of development of a concept it is here to stay.

**Q122 Lord Livsey of Talgarth:** First of all, I would like to thank you, Miss Gloyer, for what you have just said, which is helpful and, also, some of the comments of Peter Barfoot as well. What I want to test is how robust your policy is in a very dynamic situation that we have at the moment. If you look at it, we have, in relatively recent terms, had a complete reorganisation of the CAP and decoupling of payments. I was never in favour of paying for every ewe. That is a huge change. If I can speak from a Welsh perspective, we have seen a 20 per cent reduction in the number of ewes kept in the upland areas of Wales. At the same time, you have got the downstream situation; we calculate, certainly in Mid-Wales, that 17 per cent of the population is involved one way or another in the products of the farming industry – that is quite a lot of people. Also, there is the whole question of the stratification of sheep reduction, where the upland sheep are supplying to the lowlands a very valuable commodity which keeps the entire UK sheep population going. That is by the by. So this

policy, I think, has got to be set against that. Food security has suddenly become a big issue. We have got to think about the people to do this. You have acknowledged that but not, perhaps, spelt it out sufficiently. In its written evidence in paragraph 20, the RSPB suggests that the only real way to properly target LFA support is through environmentally meaningful eligibility conditions, and goes on to make some suggestions of appropriate EU-wide conditions. Could you explain, please, your views on the type of eligibility criteria that may be appropriate, and what sorts of farming practices (e.g. intensive farming) and farmers (for example, farming part time) should be excluded from the scheme?

**Miss Gloyer:** I completely agree with your analysis of the situation in Wales, which is mirrored in Scotland, as you know, particularly in terms of livestock declines, although we have seen lambing quality increased as part of that process as well, so I would hesitate to give an overly-simplistic view of what is happening in terms of changes in livestock numbers. I, again, accept issues of food security and food production are not unimportant in the slightest, and that the CAP is changing. It has survived yet another round of reform through the health check, and I think it is widely anticipated that it is going to change again significantly, probably in 2013. So our vision, if you like, is framed within that dynamic context, and what mechanisms or levers we should use to ensure food production and ensure food security, but what the rightful place of these rural development instruments might be in securing the currently unvalued products of rural land management farming, primarily. Our view is that the problems – and, again, I do not apologise for using Scotland as an example – that exist within the current LFA system, so the distribution of our current LFA support at country level, would be remedied by a move towards the inclusion of properly meaningful eligibility criteria, which would mean that support was redistributed towards exactly these people who are facing problems at the moment. So the areas of most accelerated livestock decline are in the North and West of our country, and similar patterns occur across Europe. Where the LFA

money is currently going, in the bulk, is not the areas that are in trouble, all designated as LFA, but what we are talking about is targeting within a geographic boundary those who are facing the current problems, as well as those, coincidentally, who are producing the public benefits that we are talking about. It is the same people, and those are the people that currently are not receiving the proportionate amount of LFA support, Single Farm Payment support in countries that have gone for a historic basis or, it has to be said, agri-environment support, because we can map that, and it, again, goes to the more productive parts of the country. That is perhaps a slightly separate argument. In terms of eligibility criteria, this is why we feel that simply redrawing, at EU level or at country level, a boundary within which you are either LFA or non-LFA is not enough to help target that support at the people who need it, who are also the ones who are producing the public benefits. We have suggested, in line with Commission thinking, that there could quite easily be a common EU framework. Again, we stress a common EU framework because, as you are more than aware, the LFA scheme in the past has been subject to criticism, not least from the Court of Auditors, about its operation in terms of commonality across Member States and anomalies that occur which is the reason, primarily, for this review of intermediate LFA. So what we are saying is that a common EU framework could allow Member States to identify the types of farming practice – not the type of farmer but the types of farming practice - that deliver the public benefits and are most at risk at the moment. Without going into the detail of each and every criterion, there are things like limits on livestock numbers, livestock density, for example. We are not saying that the European Commission should set a livestock density across the whole of Europe that was appropriate – that would be insane – but what we are saying is that within that very loose, common framework Member States or regions would have the capacity to identify their own (I use the terminology “high nature value” farming systems – we do not have to call them that) systems that require support at country or sub-national level and show

how, within that common framework, that is what they are doing. So LFA support would be targeted within the boundary at those who fell within these criteria limits. Again, what we are talking about is not people changing management practices, but what we are saying is it would be such broad categories of criterion that have been applied, for example, in the Scottish case. I would imagine everybody that currently receives an LFA payment would still get one; it would just be the distribution within that which would change.

**Q123 Lord Livsey of Talgarth:** You answered the first part of the question I was going to ask, but the second one was: what do you say to policy makers who say that the historic basis of LFA should be abolished?

*Miss Gloyer:* The historic basis in terms of?

**Q124 Lord Livsey of Talgarth:** Well, Scotland and Wales, for example.

*Miss Gloyer:* Of the Single Farm Payment?

**Q125 Lord Livsey of Talgarth:** The LFA is, in part, based on the historic basis that is the Single Farm Payment, obviously.

*Miss Gloyer:* It is entirely a historic basis. In our vision we would say that a historic basis for payments does not provide a current justification. What we are talking about – and I know farming unions also want this point to be made clear – is that we are talking about people who are currently actively farming and actively practising particular types of farming. So within the current system of Single Farm Payment, and in the current system of LFA support, you have people whose farming practices cannot be said to be active. I do not want to be too critical but there falls within the system, at the moment, a number of cases where you can have payments made with very, very little by way of farming activity on the ground, which

maybe suggests that Single Farm Payments should reflect the current activity, and LFA payments should also reflect current activity.

**Mr Barfoot:** I think we come back to the system in England where we have a certain amount of the LFA embedded right the way through the system. I would certainly accept that from our perspective the Single Farm Payment system, meant to reflect the degree of public benefits deriving from farming, is not fair because it pays very large amounts of money to people farming very large amounts of arable with very little by way of public benefit other than the food that they produce, and one could argue that that should perhaps be based more on a market-led system. However, without that overall review, without that fundamental review of the whole system, I think the process in England, at the moment, is moving in the right direction, and the criteria for selection of recipients of the LFA payments under the upland entry level scheme will be based on environmental commitments. Therefore, we do have a benefit there. Again, I come back to concerns over this term of “high nature value” because it is defined specifically about the value of farming to nature; it does not take into account landscape and, therefore, I would suggest it is actually in contravention of Europe’s own Landscape Convention which suggests that all policy should take the landscape into account. I think that ought to be put in the middle of these things to say Europe has a convention on landscape and as part of its proposals it is actually ignoring them. I feel very strongly that landscape is one of the things that the public identify with the uplands, and is one of the reasons why they visit the uplands, and that is where our public support comes from, in terms of conserving them.

**Q126 Viscount Brookeborough:** Firstly, could I declare an interest in that I live in Northern Ireland and farm in a Less Favoured Area? I wonder if you would like to say something from a National Parks point of view. We have some idea of the depopulation in

hill and upland areas of Scotland and Wales, but what has been the effect in English National Parks which are closer to markets and, possibly, civilisation?

**Mr Barfoot:** We have certainly seen stock reduction. We have not seen depopulation. We have seen a significant threat to hill grazing. Again, this is a map that I have brought along. As I have mentioned, it actually costs a farmer money at the moment to put ewes on to the hill, the open moorland, and because of that and because they can claim the current hill farm allowance without grazing (they merely need to have access to the grazing, for which they use their common rights), we have seen a reduction in the number of flocks on the moor. This first map is a map of the different hefts of sheep on the moors showing those that were actually ungrazed in 1998. We had 125 moor flocks in 1998; we had 101 moor flocks in 2005. It went rapidly into decline. We then had an English Nature scheme called the Sheep Wildlife Enhancement Scheme in place, because all of the moorland is SSSI, and that loss was halted. However, we did a survey of our hill graziers and it suggested that if that kind of support was no longer available then by 2010 we would have only 25 moor flocks left and we would have a very substantial amount of our moorland that was no longer grazed. That is something that our authority has made as a first priority in terms of trying to influence and ensure that we get the kind of support needed to maintain the correct grazing on our moors. So I would not say “depopulation” but a very big environmental threat in terms of stock reduction.

**Q127 Viscount Brookeborough:** So it is a change in the nature of the work being carried out by that population. Thank you. To move on to the question: you have actually spoken, to some extent, about harmonisation within the EU. Would you like to tell us something more about other problems which you think exist in the remainder of the EU? You have already said that England is, of course, a bit of an anomaly. How is the rest of Europe affected and what do you think their reaction is to this review?

*Miss Gloyer:* A lot of the areas that, from an environmental and social point of view, our sister organisations across Europe are particularly noticing worries about are the same sorts of issues that we are seeing in Scotland, in Northern Ireland, to an extent, and certainly in Wales, as well as parts of the English uplands, which is that there are, I suppose, twin pressures driving what direction farmers go. Part of that is determined by the current structure of the CAP mechanism, whether Pillar 1 or Pillar 2, and, also, market demands. What we are seeing is these twin pressures either to intensify across Europe – obviously, increasing food production is demanded and is a good thing – but what we are seeing is a change in the environmental nature of these farming systems because of that pressure. There are examples across Europe – Italy, in particular, is one - where practices such as rock-crushing change the nature of the soil and associated plant and animal life to respond to the pressure to produce more, I guess, in areas where the carrying capacity required for is probably lower than practices that are being changed to. What we are also seeing across Europe, however, and I would say this is probably more prevalent, particularly amongst grazing systems and particularly amongst what are currently low-intensity grazing systems, is serious declines and, in some cases, abandonment. There are environmental issues in relation to that, which we touched upon earlier. In some very small geographically targeted areas, changes to lower-intensity livestock grazing might be seen as environmentally beneficial but what we are noticing across Europe is this accelerating decline in areas that were previously low-intensity, so that the land is changing as well as the structure of the population, as you have just outlined – not the population, necessarily, per se, but the way that they manage the land and the things that they do associated with that; you lose skills and you lose particular parts of the rural population who traditionally have managed in certain ways. We are seeing this across the older Member States but, also, increasingly in the newer Member States, so we are seeing

it in Slovenia and the Czech Republic – places like that – where these traditional systems are responding to either the pressures to intensify or, more commonly, the pressure to abandon.

**Q128 Viscount Brookeborough:** You mentioned earlier that other countries might be jealous of the type of recording that we already have in place. Do you think that this will get in the way of harmonisation? Do you think that we can have harmonisation, accepting that they are so far behind in that respect?

*Miss Gloyer:* I think we should strive for harmonisation because what we have, I think, all signed up to with the Common Agricultural Policy is a common set of EU-wide priorities. Whether we remain within a Common Agricultural Policy is a separate debate, but while a Common Agricultural Policy (and the rural development component of that) exists there should be commonly agreed EU priorities that that policy has to address. The rural development priorities are agreed throughout Europe. The difference then becomes the more local Member State or regional implementation of those, and absolutely there should be the flexibility for England to carry on in the direction it has chosen to implement its rural development policy, as there should be the flexibility for Scotland to do likewise or Slovenia to do likewise. On the degree of harmonisation, to come back to your point, on the data, it may be more difficult to monitor in some Member States than others exactly what is happening on the ground, but that does not mean that we should not have a set of common goals, if you like, within which we should develop that.

**Q129 Baroness Sharp of Guildford:** We have already touched on payments systems when we were talking about the socioeconomic issues, but it would, I think, be helpful if you could just talk a little bit more about the new payment formula which is based on this “additional costs and income foregone related to the handicap” - whether that is adequate. Has it worked effectively when applied in other agri-environment schemes? What do you make of the

argument put to us by the farmers' unions that if there is to be a link between LFA payments and the delivery of environmental and other public benefits there should be a positive incentive component in the payment formula, as opposed to just compensatory elements?

**Mr Barfoot:** My Lord Chairman, again, we are, to a certain extent, dealing with a given here because the rural development regulation specifically rules out any incentive element in these payment calculations. I would add that these payment calculations are not a hard science and they can be made more attractive or less attractive depending on figures put into them, and they will be perfectly justifiable and verifiable at the same time. One of the arguments we have had over the upland entry level scheme was the level of income foregone and costs that would be considered in terms of payment; with some of them they were only considering paying 80 per cent of that calculation and, after discussion, they agreed that they would pay 100 per cent. Therefore, these payments can be varied within the existing framework. Our experience (we have done payment calculations ourselves with our own agri-environment schemes) is that they can be made to fit the purpose, and that you would not expect any other trade who is being offered full payment for doing a job, for the costs involved in doing that job, to seek an incentive to do that job. We are talking about payment of up to 100 per cent of costs and income foregone, and that should be, I think, seen as a full payment for that work.

**Miss Gloyer:** I think we are, maybe, slightly different in this. I agree to an extent with the farming unions – indeed I used to work for one of the farming unions, so there are many areas of this whole debate where we have a lot of common with their view in looking forward to what both agri-environment and LFA support should deliver. The key point is, as has already been said, that we are working within the constraints of European Commission rules until 2013, and those rules for agri-environment are based on income foregone, additional costs incurred, and now a 20 per cent transaction cost, it is called – it used to be called the incentive cost. Our view is that we have to move to a system that properly recognises what is being

delivered; we have long argued that the production of landscape, the production of wildlife, the access for urban populations, the production of the tourist “backdrop”, if you like, that farmers produce is undervalued (in fact, unvalued but undervalued within the current payment calculations), so using payments that are based on what you would have got had you been producing food instead of producing these other goods, which is how it is calculated, does not take into account the true value of the unmarketable things that are being produced. That is where we want to see things go to. Working within the constraints of “additional costs and income foregone” I think there is a justification for using what is now called the transaction cost, so the incentive element, if it comes to what can be approximated as a more realistic payment for what is being delivered. Where we have a problem is transferring that to LFA payments. It works, to an extent, with agri-environment payments and therefore will probably work, to an extent, within the English system. With LFA payments, what we are seeing is farming systems that frequently do not have a great amount of income to forego. As you have already said, producing a ewe is a cost, but where is the income within that calculation to forego? Additional costs incurred, absolutely, is part of that calculation, but there is a problem there.

**Mr Barfoot:** My Lord Chairman, I would come back on that because the formula does allow for that additional cost incurred, which can be a full payment for costs and labour needed to deliver that particular service. So if we are talking about maintaining a dry-stone wall, a cost can be calculated per metre (and has been calculated per metre) as a labour cost which will pay for that maintenance. I think we are moving, particularly in these more remote and more difficult farming areas, into a system where we are not talking about income foregone because very often that is a negative; we are talking about the cost of management, and that can be delivered through the existing payment calculation. That is certainly something we have been doing in terms of maintenance of traditional buildings, etc. What does it cost to keep

somebody on the land doing that work? I think that can be accommodated within the current system.

**Q130 Baroness Sharp of Guildford:** Can I just clarify something for myself? Am I right in thinking, therefore, that post-2013 there may well be an opportunity to move to a different system in which, as you were indicating, you could actually perhaps value the current immeasurables in terms of landscape maintenance, and so forth? However, equally, shifting over to these sorts of issues poses almost just as many problems - I think Mr Barfoot, earlier, was saying how do you value looking after an aquifer or something like that. There must be so many difficulties in this, but in some senses the income foregone is actually an easier standard than moving to something as vague as that.

**Miss Gloyer:** I think you are absolutely right; the difficulties are not to be underestimated. The problem lies in the whole philosophy of what the Common Agricultural Policy may become post-2013, which is completely separated from rewarding food production or foregoing that food production to do something else. So, philosophically, having income foregone and additional costs calculations does not fit. Pragmatically, moving to the system that we are talking about, I think we are a long way off. However, we know that the European Commission has contracted research work, a large body of research and information gathering, to work out how to move towards that system. I doubt it would be ready on 1 January 2014 but it is clear that the direction of travel is set, and although we are constrained by these formulae at the moment we kind of know where we are trying to get to.

**Q131 Lord Cameron of Dillington:** I would like to carry on pursuing this whole question of the rationale of the whole LFA system. You quite rightly say that grazing sheep in the uplands actually costs a grazier money, at the moment. I have two questions: is grazing sheep the cheapest way of managing the uplands for the benefits that we get? If it is, and I am

assuming the answer to that is more or less yes, in the New Zealand uplands they manage sheep without subsidy, so are we doing something wrong?

**Mr Barfoot:** I do not know. I think it depends on the farmer and the area. In the North York Moors, where most of my experience has been, the upland flocks have only, I would say, over the last 30 years, rarely, made any profit in their own right. They were not viable without some form of support, and that is because our moorland is mostly heather, there is very little grass there, the grazing is very poor, we have got disease problems, and lambing percentages are particularly low. The situation on the Pennines and elsewhere, such as the Lake District, is different those flocks have been more profitable - but more recently the kind of situation in the North York Moors has spread across other parts of the country, and that is reflected in the loss of sheep on the Scottish Highlands, because if it is not making money and you are getting a subsidy anyway why would you keep the sheep? So I do not think there is one-answer-fits-all here. With regard to grazing management, I think we accept that the best form of management for these uplands is a mixture, of the right kind of burning and the right kind of grazing. Without those two combined you will start to lose some of the value of that area in terms of its environmental capacity. So yes, we want grazing on the hills; yes, it has been unprofitable for some time, but support mechanisms have changed; the LFA is there as an important means of maintaining that grazing and, also, maintaining the kind of skills and expertise that goes with the maintenance of that grazing. I suppose, in a pure market situation, these areas would have been ungrazed years ago.

**Lord Brooke of Alverthorpe:** For the record, I want to declare an interest as an adviser to Accenture plc.

**Q132 Viscount Ullswater:** I am just trying to fathom out the roll-out of this LFA scheme after 2014. What you seem to be indicating to me is that each enterprise would have to be separately assessed as to the payment required for the public benefits that are going to be

provided. Mr Barfoot, you were talking about walls, barns, moorland grazing or upland grazing - and, possibly, again from the Scottish perspective, remoteness from the market has to be taken into consideration, the availability of food and whatever it is that keeps a sheep flock going on the islands. I just wonder about the bureaucracy if each individual enterprise has to be assessed for payment.

**Mr Barfoot:** My Lord Chairman, I think these processes are already in place for things like the entry level scheme. They have been designed very much as a hands-off approach; farmers registering their land, undertaking certain commitments and receiving points which equal pounds for those commitments. So it certainly is more bureaucratic than a flat-rate payment per hectare, but it can be simplified. The upland entry level scheme is an example of that; it will be more complicated than the HFA payment but I think there should not be any particular barriers to obtaining those payments should farmers wish to enter the scheme. It has been designed, again, as a fairly simple approach, with points for particular undertakings and points equal pounds, and that is what the payment becomes. It should not involve a detailed farm survey or farm-by-farm assessment, and that is certainly something we need to keep an eye on; if there was a drift in that direction it would certainly become unworkable on a large scale, which is the kind of scale we want it to work on.

**Miss Gloyer:** Can I come back on that in a Scottish context as well, because it is an important point? We are not talking about the abolition of an LFA scheme post-2014 that suddenly increases the levels of bureaucracy or assessment procedures. Our LFA scheme, at the moment, operates on a number of criteria, including grazing categories. There was a distance calculation some years ago where someone actually drove a van from point to point. So these assessments have been done. We are not suggesting we move to some very much more complex way of administering this funding; all we are saying is that within new parameters, I guess, you would have people that would move in and out of the system. So, for example, if

livestock densities dropped below a level that you could say was active farming, that farmer would no longer be eligible for that form of support. If the converse happened and the enterprise intensified and livestock density increased beyond a certain parameter, again, that farmer would drop out of that particular support. However, there would be no necessity, as there is in certain higher tier agri-environment payments, for example, to look specifically at management for habitats or species or landscape features; that would be a completely separate stream of funding.

**Q133 Chairman:** I think that is it. Thank you all very much indeed. I think we have really gone into this inside, outside and up and down! Thank you.

**Mr Barfoot:** Thank you.