

WEDNESDAY 11 FEBRUARY 2009

Present

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

Memoranda submitted by Scottish Crofting Foundation and National Sheep Association

Examination of Witnesses

Witnesses: **Mr Christopher Thomas-Everard**, Chairman, National Beef Association, **Mr Peter Morris**, Chief Executive, National Sheep Association, and **Mrs Becky Shaw**, Scottish Crofting Foundation, examined.

Q134 Chairman: May I first of all welcome you and thank you for coming and finding the time to help us with our inquiry. This is a formal evidence taking session, so a transcript will be taken and the transcript will be sent to you within a matter of a few days. You can look at it and correct any slips that have crept in. We are being webcast and so there is a slim possibility that someone somewhere may hear what you say. I can reassure you that we have never had any evidence that anybody has heard what has been said, but there is technically a formal possibility. I think you have got a list of the interests of the Members of the Committee. You will note we have ten questions and there are three of you. That does not necessarily mean that we want 30 answers! If you find that your colleague has said something which you are broadly in agreement with then do not feel that it is necessary to say something in addition, but if you do think that there is something that has been missed or you

disagree then please speak out. I think it would be helpful to us if you could just introduce yourselves and explain your organisation, how many people you represent and that sort of thing.

Mr Morris: I am Peter Morris, Chief Executive of the National Sheep Association. We are a UK-wide organisation representing all interests of sheep farmers in any arena where their interests need representing and also in the provision of information. We would have over 90 breed societies affiliated to us and that combined with over 8,000 individual members would give us representation in the region of two-thirds of the sheep in the country and the sheep farmers.

Mrs Shaw: I am Becky Shaw. I am here on behalf of the Scottish Crofters Foundation, which is an organisation representing in the region of 2,000 crofters predominantly and people who support the crofting way of life as well. The majority of our membership is made up of active crofters from within the crofting counties in the Highlands and Islands.

Q135 Chairman: Are you the successor body to the Crofting Commission?

Mrs Shaw: The Crofters Union.

Mr Thomas-Everard: I am Christopher Thomas-Everard. I am a hill farmer on Exmoor. Since July I have been Chairman of the National Beef Association. We have about 12,000 members, of whom the majority are pedigree breeders. I really ought to start by saying that our anxiety today is that in the hill areas the number of people getting rid of their suckler cows is alarming us very much because if you do not have a calf at the beginning you do not have a beef industry.

Q136 Chairman: Would you like to kick off and make any initial statements giving the general position or would you prefer to go straight into questions and answers?

Mr Thomas-Everard: I suspect most things will come out in the questions and answers.

Q137 Chairman: Could you outline for us what you see as the rationale for LFA payments? In particular, what is the public supposed to be paying for? What is the public getting in return for the money it makes available through LFA payments?

Mr Thomas-Everard: In England, where there are more national parks than in Scotland - I would almost say the whole of Scotland is a national park and probably Wales as well because 85 per cent of those two countries are hill farms - about 17 per cent is upland. I think I am right in saying that the production in the south-west of beef cattle and sheep is equivalent to Wales and Scotland put together, so the south-west's agriculture production is important. Speaking personally, we have about 200 people a day for nine months of the year going through our farm, - not straight past the farmhouse but going across the farm - and we take that into account in our farming. We are not able to do some of the things that other farmers can do because we live in the national park and therefore are under very, very strict planning controls. So there is a disadvantage to being a farmer there because you cannot very easily make money out of people who walk across the farm. They tend to stay on caravan sites on the outside or a very few designated camping sites inside national parks. Many of our NBA farmers are in Scotland. There has been an equally big reduction in beef cattle and suckler cows because at the moment the figure is a loss of about £150-£220 per cow, according to EBLEX, which does an analysis of the figures, and I have got information saying the same thing from Exeter University. My anxiety is that since the start of the single payment and the end of headage linked payments the figures for many beef farmers have gone down from about £400 per hectare to £160 by the end of the transition period, 2013, less, currently, 18 per cent modulation. People are getting rid of their cattle because their cattle carry all the bills, - silage making by contractors, dung spreading and all of that. If people go out of beef cattle they then go into sheep. The sheep industry has been reasonable for the last few years. It has been very volatile but on balance it has been reasonable since the 20 per cent reduction

in 2001 from Foot and Mouth. That is slightly controversial to say but it made a difference to the sheep industry. 'Dog and stick' farming is the best way to survive if all you get is a single cheque and you do not have to produce anything for it. My great anxiety is that we are going to end up with a very small employed population. In national parks where we have to make hedges and things like that there will not be a working population to do so.

Mr Morris: The higher up the hill you go and the further into the LFA area you go the more difficult it is to ever envisage market conditions where it would be possible to earn a living from activity in those areas. What the public are paying for through the scheme is the ability to have the manufactured environment, that is the LFAs that they desire, to maintain a degree of social activity, the communities, all that kind of thing and then the economic activity as well. Without the economic activity the other two do not happen, so it is a balancing act. What they are paying for is the maintenance of that area as they wish to see it and as they wish to see it operate. As to whether we are always correct in our view of are they seeing it as they want to, it is difficult to say. Clearly without activity - and activity is people and grazing animals - the abandonment, wilderness and forestry scenario moves ever closer. It is quite clear to me that the payment is to keep things happening.

Mrs Shaw: I would like to agree with my colleague. Certainly in terms of the crofting area, since 2005 there have been quite dramatic and increasing declines in livestock numbers in the more marginal areas. Between 25 and 50 per cent of livestock have been lost in some parts of the Western Isles, Shetlands, Skye and Mull, and the declines are really quite significant. Those systems that are being lost are some of the most high nature value, with the most extensive use of land and so are marginally characterised by lots of semi-natural land management. The biodiversity aspects of that kind of management are well known. There are those who argue that you may lose biodiversity completely from some of these areas in its current form if you have not got any form of activity. As Mr Morris said, it is this whole

aspect of keeping people in a place doing something on that land, managing the land in that way that is important. The LFA support payment to our mind is very much focussed on maintaining active land use. In many, many cases the maintenance level for cross-compliance standards, particularly the minimum maintenance level, is so low on the large and extensive moorland that you really do not need very much in the way of activity at all to maintain it. If you want to maintain the public goods associated with extensive farming in the LFA, that is where we see the LFA support scheme coming in.

Q138 Chairman: Is the support targeted sufficiently to deliver those goods?

Mrs Shaw: Certainly from a Scottish perspective we would argue that it is not. The Scottish scheme is peculiar in its level of support for the less disadvantaged land being significantly higher than in the most disadvantaged areas. The Scottish LFA follows the pattern of Single Farm Payment distribution. The Single Farm Payment distribution is obviously based on previous production, but our LFA conversely follows the same pattern and does not sufficiently support the most marginal farms in the most difficult areas.

Mr Morris: Draw a line on any map and you have winners and losers and you have people who feel they are in the right area and people who feel they are in the wrong area. LFA designation is a fairly blunt tool. I am not sure that it is possible to refine the criteria much more accurately to take away that level of bluntness. Basically LFA designation is the hook upon which you hang things in terms of public support. It is a basic blunt tool but it is difficult to see how you could refine it.

Q139 Chairman: The United Kingdom has the lowest percentage forest cover of any country in Europe. Environmentally it could be claimed that the types of forests that are being developed now are much friendlier in terms of biodiversity and indeed in terms of

carbon sinks and things like this. There could be a strong case made that indeed some of the land which is presently benefiting from LFA schemes should be turned over to forestry.

Mr Morris: The Scottish example is probably the easiest one to highlight. On the land where that is applicable, because there is a balance to be struck between forestry and other activity, the livestock have largely gone because the economics have not allowed them to stay. I think what you are saying is a possibility. Short of the trees being planted, it is not the livestock that is stopping that happening because they are not there anymore.

Q140 Viscount Brookeborough: There is an issue with the uplands in that the forestry is not very good quality once you have produced it and this is why it is not being done, because it blows down and it cannot be thinned and all you are producing is pulp. I just want to ask you about crofting because I do not really know anything about it. How much of the upland area is farmed by crofters? Is there an average size of area that they farm? What are the costs of their rent over and above people who might own such land?

Mrs Shaw: Within the crofting counties the total area of crofted land is about 750,000 hectares.

Q141 Viscount Brookeborough: And that is as a proportion of upland?

Mrs Shaw: It is almost all upland. There are very small coastal fringes but the majority of the rest is upland. You typically have a unit which is based on a smaller scale, the in-buy of the unit, the croft itself, on a small strip close to the valley bottoms, which each person is a tenant of individually and then a large shared common hill grazing rising more or less directly behind that. Of the proportion of land which a crofter manages, his own in-buy bit is relatively easy to improve and then he has the use of a much larger area of peat moorland.

Q142 Viscount Brookeborough: And he is paying rent for that?

Mrs Shaw: Yes. The rents are very low.

Chairman: He has a right to buy it.

Q143 Viscount Brookeborough: Does he own the improved bit or is that also rented?

Mrs Shaw: Traditionally it was a rented system, but since 1976 he has had the right to buy the bit that he is tenant of and to apportion and buy his share of the hill grazing. Some 20-odd per cent of crofters are now owner-occupiers.

Q144 Chairman: It would be fair to say that the level, degree and quality of management of crofts varies enormously.

Mrs Shaw: That is a fair comment. There are some crofts which are being worked effectively as full-time units, although it is very few because obviously crofts are particularly small in size and almost everybody is involved in other economic activities as well. There are some people who will perhaps run a number of crofts between them and effectively be making a farm income as their primary income. There will be others who are full-time employed in other activities who are making perhaps less use of their croft. There are certainly some very good quality livestock coming from the crofting area which are then passed through the chain. Almost all of the crofting livestock system is sold store for other parts of the country. There is almost nothing finished in the crofting area, but an awful lot of output goes from the area.

Q145 Lord Palmer: When you said almost nothing is finished, it is a very, very low figure, is it?

Miss Shaw: Yes. It is certainly under five per cent.

Mr Morris: From the sheep industry point of view, the further up the hill you go that figure would be matched. So it moves down the hill and all the links between the stratified system and all the rest of it that is in place then become important.

Q146 Chairman: You have all made the case for maintaining LFA payments and described what the public gets in return, which is the continued activity which maintains an environment that is valued through that activity. The more difficult question is what evidence do you have? What evidence is there to document the causal link between the maintenance of farming activity that is supported through LFAs and the public benefits that go with it in the LFAs? Is there real evidence to suggest if you did not have LFAs you would not have the activity and you would not have the benefits?

Mr Morris: If you do not have the hook to hang things on, which is what the designation is, it becomes much more difficult to do anything. Where we are seeing abandonment or much less livestock because of the economics that exist what you basically start to see in most situations is the development of a monoculture and that monoculture is bracken. We see huge swathes of upland now where, because there is not livestock continuing to manufacture the topography and the landscape, it becomes a monoculture and a pretty ugly one at that with all sorts of different negative impacts. I would also look to public benefits in a wider sense because in many ways what we do as a farming industry is almost an amenity provision in the sense that the public benefit from the ability to enjoy themselves in those areas based on a rural tourism industry and the backdrop for that rural tourism is what is manufactured by the grazing livestock and the people who look after them. So you take that away and suddenly there is a whole pack of cards that starts to collapse.

Q147 Earl of Caithness: Do you have any figures for the increasing amount of bracken? A lot of people have said that there is more bracken. Has a survey been done of this?

Mr Morris: There is the beginnings of some work being done. I do not have the figures with me. There are figures that can be found, certainly. You are talking of increases of two to three per cent per year in the land mass. It directly links itself to the depopulation of livestock.

Mr Thomas-Everard: I serve on the Uplands Land Management Advisory Panel and we had a paper read to us on bracken and I can send details of that. Defra did not seem as worried as the farming members of that committee were. On the spread, particularly in a national park scale, the Exmoor biodiversity study and the National Park Plan have a lot of information in the individual areas. I do not know that we have it right across the whole country.

Q148 Earl of Dundee: Did you offer a prescription within your paper?

Mr Thomas-Everard: We had a paper read to us by Defra rather than producing a paper ourselves. The right prescription is to winter animals on land because that treads any young bracken back into the ground. For the last 15 years unfortunately there has been a ban on all cattle grazing on moorland. That has been a cause of the spread of bracken suppressing heather, and it has been one of the worst ecological things that any government has introduced. The other thing it has done is it has reduced very substantially the number of people keeping native breeds because native breeds do best if they are out of doors in the winter. So people have been forced to put up sheds - and that causes a planning problem in some cases - instead of being able to outwinter their cattle. The cattle do better out from a health point of view. There is also new evidence that animals grazing right through the year have a higher level of Omega 3 in their beef and that you can taste the result from that, particularly with native breeds because they have more marbling as they have to survive by putting fat on in the summer and losing it in the winter. That one decision to keep cattle off the hills has led to a lot of other things with unexpected consequences.

Q149 Viscount Ullswater: The ban was imposed because of soil conditions, was it not?

Mr Thomas-Everard: The ban was imposed on our own ground. At the time I was on the minister's Hill Farming Advisory Committee and I was not reappointed because I was too outspoken over this. What happened was that the youngest retired Major General from the Parachute Brigade, who had been used to pushing people out of airplanes, suddenly came along as our national park officer for Exmoor and he remained General like! The National Park asked our neighbour who had rights on our hill, to stop doing what he was doing, which was taking a small light tractor to put hay in the worst weather conditions on top of gorse bushes and that encouraged the cattle to eat the gorse, particularly in the spring when there was young gorse growing. There was no sign of where the cattle had been three months later. He had been doing it for 30 years. The NP asked this particular farmer to put two ring feeders at the side of this hill of 1,400 acres and a month later brought Mr Heseltine along and said, "Look, there is a sea of mud around these two feeders. This is what happens if you go on allowing animals to be grazed out in the open," and within a month the whole thing was banned. I would dearly like to recommend that you ask Defra if that could be re-looked at because it does seem to me it has had many unexpected consequences.

Q150 Baroness Sharp of Guildford: Is this true of all national parks?

Mr Thomas-Everard: Not even the national parks, all upland moorland. It has really affected the breeders and kill farmers of rare native breeds. They are rare now but they were then popular native breeds.

Q151 Baroness Sharp of Guildford: New Zealand manages to graze sheep on upland areas in the Southern Island and to make a profit out of it. Could the same be done in the UK?

Mr Morris: The New Zealand sheep industry is shrinking faster than our sheep industry because they cannot make a living out of it. Sheep meat trade is on a world market. New

Zealand is the biggest exporters in the world trade. They have seen something like a six million decrease in the number of sheep. They cannot do it. They are in exactly the same situation. They have got great areas that are returning to wilderness and some of that is with the blessing of the government because they desire to see such a thing and that is fine, but not all of it. We should not under-estimate the bracken issue. It is a huge issue. It is about the impacts of what bracken does. It is not nice to look at. The public cannot walk through it. It thrives with ticks which create animal health risks as well as human health risks. It really is impossible to manage the bracken cost-effectively outside of using livestock as the tools.

Q152 Lord Livsey of Tagarth: You cannot actually spray bracken out, can you, with chemicals?

Mr Morris: No. First of all, there is the problem of getting there to do anything with it, but, secondly, it is an incredibly tough, resilient animal. Asulox has been banned or is about to be banned. We have not got any options. There is nothing you can do with it.

Q153 Chairman: I asked a chap from the North York National Park about bracken and heather because when I went there a few years ago there was the real problem of the spread of bracken. He said that they had had a number of victories in increasing heather cover and controlling bracken.

Mr Thomas-Everard: I went and had a look at the North York Moors because I rather worried that it might be the future of hill farming generally. There are only three full-time farmers who have got more than 1,000 sheep, which is very roughly a man's worth, a living. All the rest were part-time farmers, that is, they drive the school bus, they teach in local schools or they deliver things. It just worried me that that is the way that other areas would go.

Q154 Chairman: But that is crofting!

Mr Thomas-Everard: What I saw there was that a huge amount of energy went into managing heather because the only remaining income coming in there is from shooting. So controlling heather for grouse and its different levels and ages for grouse was very important. Where the bracken was really bad up there was in sloping fields, in the valleys and you saw farms going downhill and you saw walls enclosing merely acres of bracken. It was very sad.

Q155 Viscount Brookeborough: I live in Northern Ireland, a less favored area and this issue of grazing animals out in the winter is not confined to the national parks in that we now have inspectors coming round to us saying, "You are poaching that field and therefore you cannot do so." However, they are not the people who have farmed it for the last 150 years. When they come and look at it in summer those systems of farming are still working and the field recovers. This definition of poaching is intruding on every level of farming in those areas.

Mr Morris: It seems to be that people like something that they see and they think that the way you keep it that way is to do nothing to it, which is wholly misconceived.

Mrs Shaw: That has certainly been something which became evident through ten years of agri-environment scheme support, where particularly areas were fenced off around water courses or any particularly flower rich meadows and so on. The evidence of the ecological reviews some ten years down the line was that the best thing for this ground was the low intensity grazing management which had been on it in the first place albeit perhaps with closure dates to allow seeds to set and so on. The idea of closing areas off completely has led to them going fairly rank. We certainly see LFA as being the instrument which maintains that level of activity upon which you can then build more targeted agri-environment responses for specific habitats, but the LFA is the instrument in our minds which actually incentivises and encourages - or should if it was better targeted - the continuing activity on which you can then

say, “What we would really like to do here is manage this area for cough or this area for corncrake and so on,” but if you have not got the baseline activity in the first place you have no chance of building on the additional success for agri-environment type approaches on top of that.

Mr Thomas-Everard: My Lord Chairman, can I answer a question that you asked but we have not answered? You said about carbon and trees. One of the big worries is that a large part of the uplands is peatland and that locks up a huge amount of carbon. The only way usually of being able to plant on peat is to take a Cuthbertson plough, it is about two-foot wide, it turns huge furrows upside down, but it ruins the land forever because you cannot get across it. If you look at the Flow country in Scotland where it was done badly, you then have stunted trees. If they do grow up, nobody can get there to thin them and then you see whole hillsides blown over. It is one of the most miserable things to look at.

Q156 Baroness Sharp of Guildford: I wonder whether you could tell us how far you see the LFA’s relationship with the other national and EU policy instruments, such as the Single Farm Payment, agri-environment schemes or land use planning schemes. How do you see the LFA fitting into these other schemes?

Mr Morris: Particularly if an agri-environment scheme is put in, they are inextricably linked. As to whether the controls of agri-environment schemes are delivering, you need to know, first of all, what you want to deliver when you put a scheme in place. People’s views of what is a desirable LFA area from the environmental aspect would vary hugely. The relationship is strong and it is not going to weaken in the foreseeable future. The weakness is in the lack of schemes that have a socio-economic impact. It is too narrow and it is focused purely on the agri-environment scheme. Time and time again you do see areas and it is all anecdotal, but the people that live in the areas tend to know a lot more than we ever give them credit for, where land that is not in environmental schemes and not controlled in the way that some view

it to be correct to do so, the diversity of wildlife and things that go wrong, is much greater than in the controlled areas where the grazing management is tighter, it is de-stocked and all the rest of it. There is no simple solution or one-size-fits-all. We got it right by doing what we do and stopping us doing it does not leave it where it is.

Mrs Shaw: In terms of the relationship of Single Farm Payments to LFAs in particular, as I mentioned briefly earlier, the pattern of distribution of Single Farm Payments, given that in Scotland we have gone for a purely historic approach, is fairly much as you would expect it to look. The areas which were the highest in productivity have the highest levels of Single Farm Payments. You may argue whether that is a continually valid justification when it is no longer linked to production in the long term. However, what we have always seen is that for people in the more marginal areas the most cost-effective way to maximise your return from the Single Farm Payment is to cease doing anything at all. You will be considerably better off if you put your Single Farm Payment in the bank and do nothing. As I said earlier, maintaining a minimum level of activity for cross-compliance on a large and extensive area of moorland does not require much in the way of grazing livestock for the minimum level, not for its desirable level but certainly for the minimum. There is an inherent tension there in a decoupled system where the economics are such that the most sensible economic activity is to say “Thank you very much” and close the door. Fortunately for the public goods delivered by this kind of system most farmers and crofters do not always act in the most economic, rational kind of way because there are many other factors influencing the decision as well as the economics, but certainly in the longer term you cannot keep supporting your agricultural activity from other ways of making a living. I was part of the Shucksmith Inquiry on Crofting last year, we took evidence all round the crofting counties and one of the most frequent comments was, “If only my wife knew how much I spent on crofting”. There are a lot of people subsidising systems in other ways. We have always seen the LFA as being effectively

the thing that says, “Well, actually, what we are trying to do here is maintain sustainable land management with the kind of thing which is desirable for other reasons,” because it produces the public benefits that we have discussed. So it should be targeted at the kind of systems where it is uneconomic and the most sensible thing to do is to quit but where there are other objectives coming into play in terms of the environment and maintenance of the rural population and so on as well.

Mr Thomas-Everard: The worry on agri-environment schemes is that they are paid on an acreage basis without, as Peter says, having the livestock which actually does the work. Just for owning land some people are now able to be paid. Certainly in Northern Ireland we have had some of our members getting very unhappy and angry because the National Trust there has been just collaring all the money in on an acreage basis, and the individuals who would have rented it are told, “You pay this amount and if you do not put stock there we’re not worried”. I was very pleased at the Oxford conference that the Minister for Agriculture in Scotland said that he did not want a system that paid people where there was effective land abandonment, he wanted public money to go to where there was farming activity and I think that that ought to be across the country rather than just in Scotland.

Q157 Chairman: I think you said that with agri-environment schemes you can get the money for doing nothing.

Mr Thomas-Everard: That is the worry.

Q158 Chairman: Clearly they may not have stock on the land, but you have to be doing something to get the agri-environment on it.

Mr Thomas-Everard: I helped somebody put in a High Level Stewardship Scheme and that was at a time when there was a huge amount of restriction on that system, which has now being lightened a bit, and there he was told that on in-by ground they wanted to see some

fields not stocked at all, they wanted to see the area of rushes doubled and the area of gorse that was kept by the owner doubled. He had a few gorse clumps so that animals in really extreme conditions would get in the lee whichever side they went. He kept this to a particular size and he drove roads through the middle of it so that it was an outdoor building. They said, “You mustn’t cut it anymore,” which destroyed the whole purpose of why the farmer was managing it in the way that he did.

Mr Morris: It is a points make prizes scenario and you can get an awful lot of points for doing very little. You can get most of what you want from doing very little.

Mr Thomas-Everard: On the new scheme that is coming in, the Upland Entry Level Scheme, which starts in October 2010, from an environmental point of view there is a very low limit, you cannot do more than 40 metres a year of hedging. In our part of the uplands, the south-west generally and in the north on the Pennines, stone walls and hedges provide the shelter for all living things. If we can only make 40 metres a year, a total of 200 metres over the five-year scheme, it is pointless, we are going to get hedges going to rack and ruin. The only alternative is the Higher Level Stewardship Scheme and that is now so difficult to get into. I think it is possible to make it easier and I am working hard to try and achieve that. At the moment you have to be dedicated to be a non-farmer to be able to get in easily to the Higher Level Stewardship Scheme.

Q159 Viscount Ullswater: We are tasked to look at the review which the Commission is undertaking and my question to you is about the designation criteria. I would like to know your view on the common biophysical criteria for the designation; this is of the intermediate LFA that is currently under discussion? Might a second tier of country-specific biophysical criteria be desirable?

Mrs Shaw: This might be a particularly Scottish point of view given that so much of Scotland is LFA and under the proposed common biophysical criteria most of it would remain

LFA anyway. Certainly from our point of view the designation is perhaps not so much the huge issue, it is what you do inside the designation that actually matters. We obviously have a large LFA area but within that there is quite a variety of different circumstances, land handicapped by different things in different parts of the country. Obviously some areas are wetter, some are higher and some are colder. The costs and so on which are faced by somebody achieving something in that area continuing an active management of some form are different right across the country because of these various criteria. From our point of view the actual boundary need not be tightly defined in that particular sense but what you are trying to achieve inside it, what your eligibility criteria are for farms that fall within that boundary and then what you are setting up a payment mechanism to support are perhaps more critical than the actual outline of the boundary area itself. That said, we have been quite keen for sometime to investigate the use of the “mountain area” designation and the other “specific handicap” designation. We are looking at that for island areas. The UK is the only country which has the option to use the “mountain area” classification which does not. Also, we have more inhabited islands than almost everywhere, apart from Greece, but we do not make any specific use in Scotland, although I understand that England does, of the other “specific handicap” for island areas. Our view is that it would be worth investigating the options presented by those two other designations as well.

Mr Thomas-Everard: I have tried to look at it from the position of other countries as well as our own. Taking Greece as an example, where they had those appalling fires last year, they plainly have an interest in having livestock grazing to stop vegetation growing which will then go tinder dry and burn. We do not have that problem so therefore I am sure that you have to have a dual system. At the moment the EU is offering you four choices and I think you have to combine them. You have to have an overarching thing which says what you are trying to achieve in the different areas and then you have to have some central direction from

Brussels as to what qualifies and whether something is a try on or is genuine. Once you have done that then I think within that country you leave it to the national government to select its type of controls and its type of area designation.

Q160 Viscount Ullswater: Miss Shaw, how much more bureaucracy is there going to be for the crofter if there is going to be highland and intermediate designation? You might be a crofter that has got all three.

Mrs Shaw: That is possible, although I would expect that you would talk about an area designation for an island, for example, because if you were designated under “specific handicap” as an island LFA area that would not count as any other LFA area, you would be designated for that purpose. We do not think that the actual one that you are designated under need necessarily be complicated for the land manager because a scheme would be set up for each LFA area which said, “What are we trying to achieve in this LFA area?” We would leave it to the Member States to say, “What are you trying to secure within this LFA? What are your objectives? How would you need to do that?” That takes place at a level which does not necessarily provide a direct interface with the land manager, he sees a form which says, “We require you to do this, that and the other”. In terms of the level of bureaucracy faced by the land manager, it need not make any particular difference.

Q161 Earl of Dundee: You mentioned the option of “mountain area” designation and that we are about the only country which does not use that option. What are the arguments that you are familiar with which are deployed against using it?

Mrs Shaw: One of the main ones has been that, if you look at the 1975 Directive which defines areas as mountain areas for the purpose of the regulation, it is quite specific in terms of its slope criteria and its altitude criteria. If you were to take that as it is exactly worded, you would have the tops of a number of mountains and a very pinpoint effect. However, the

European Commission has made it very clear that they would not be interested in that kind of a definition. If Scotland was to make a case for a mountain area, they would want to see why you justified drawing the map as you did and would be willing to take a much lower altitude than it says in the regulation, as they have in areas of Sweden, for example, where they have taken a much lower altitude than is written in and said, “We accept that because of the lower latitude this is a much more relevant one”. There seems to be an awful lot of potential for discussion with the European Commission about what that designation should be, more than is perhaps present in the 1975 regulation.

Q162 Lord Livsey of Tagarth: What do you see as the role of socio-economic indicators (for example, remoteness, population density)? Should they be used alongside biophysical criteria to identify intermediate LFAs, or perhaps factored into payment calculations a part of ‘additional costs incurred related to the handicap’?

Mr Morris: It is important that the socio-economic indicators get all the recognition they deserve and if they are not included alongside some of the biophysical criteria I think there is a danger they do not get that recognition.

Mrs Shaw: One in particular, remoteness, can be argued very strongly to be a natural handicap. Let us say you live on the west side of Lewis and there is nothing that can change socio-economically about it in terms of the additional cost it is going to bring to bear on you. Even if there were social mechanisms put in place to address the cost difference of perhaps the ferry fare, that does not then address the difference in time that you require to travel or the effect of the working time regulations or the animal transport regulations. In terms of remoteness, I regard that in the same category as the natural handicap.

Q163 Chairman: Counter to that is that remoteness is indeed variable over time. You go from a single track road up to Lochinver and Kinlochbervie to a dual track road.

Mrs Shaw: That is a very fair point. The difference is that although your journey time becomes faster, your markets are still significantly distant from you and increasingly distant. If you take the county of Sutherland, for example, there were 11 livestock markets in the county of Sutherland 50 years ago; now there is one. On the one hand you are quite correct, remoteness can be decreased by one factor but then increased completely in another way.

Mr Morris: There is a revision of animal transport regulations going on now with proposals for a very strict eight hour limit on journey times from the start of the first animal going on the lorry to the end of the last animal going off. If this scheme is not adapted to take account of things we need not worry about livestock being in the areas because of what we are doing here, they are gone, because you cannot get anywhere in eight hours from the first animal going on. Remoteness is a huge issue and it is linked in to so many other regulations which at a swipe you can take out.

Q164 Lord Livsey of Tagarth: Several of you will be very familiar with the common land issue; I know Mr Morris is. We spent nearly a year in 2005/06 on common land legislation here and it addressed particularly commoners' associations and grazing associations. A factor in some areas is that there is a certain amount of in-buy land which if it was isolated economically would not be profitable, but if you put your allocation of sheep onto the common that is a totally different situation. What are your views on this in terms of the LFA areas? In the area that I live we have our own hedging, local crop and pleach, which the young farmers go into and it creates an attractive countryside and also keeps the livestock in. Have you any views about common land? Is it abused? Is it a good thing?

Mr Morris: What a task it would be to try and square up something that has been a bit topsy-turvy! If we are making progress with putting the correct structures in place which gives the people in the common land situation who have activity via their animals in those areas the ability to manage their own farms and to manage the land over which their animals roam at a

more local level within the framework than that is a good process and the LFA is linked to it because there will be very little common land that is outside an LFA from a productive point of view. It is one of the tools that can help make this happen, but what a complicated piece of work there is to get through.

Mr Thomas-Everard: The south-west, Dartmoor, Exmoor and Bodmin, are a magnet for people who want to buy second homes. In some cases on Exmoor, Dartmoor and Bodmin each cottage or each small farmhouse has a right on the hill and that is an accumulating problem because, as soon as there is money to be paid for managing the common, people who do not take any part of the management suddenly say they want their share, just like the National Trust, because they own this right. It is very difficult to find a way of getting the money to the people who do the management with the livestock and not the people who say, “Here is the piece of paper that says I ought to have it”. I understand that limiting yourself only to slopes is partly the thinking behind the Brussels proposals. I have seen a paper from the NFU that says there would be a 298 per cent increase in England of mountain and moor if you take slopes into account, 8.8 million more acres, and that will bring back in more than the DA, the disadvantaged area, than has been taken out of the LFA in England, leaving only the SDA, severely disadvantaged area. I understand from ministry circles that they think that their removal of DA will be acceptable to Brussels so that effectively in England LFA status will be SDA land. I may be reading more into it than I have heard. If one then started putting the DA back in again I would have thought you were putting your hand in the fire.

Q165 Lord Palmer: I find this evidence absolutely fascinating. I used to overwinter a vast quantity of sheep in my previous existence. As part of the review the Commission is seeking to provide a framework for the eligibility criteria that will in theory determine access to aid. What sort of eligibility criteria would you like to see in the future? What sort of farms and farming practices should be excluded from the receipt of LFA payments, if indeed any at all?

Mr Thomas-Everard: Once you have got an area designated, if you start excluding people because they are dairy farmers on the top of the hills in Derbyshire, as did happen before under HFA, if you exclude people because they have an arable field, you are then curtailing mixed farming, which is one way of people surviving. You are also, from an environmental point of view better, if you can have a bit of arable, if you can have somebody growing a field of cereals, - because the cost of straw has gone so high, - particularly if it is spring cereals, going to increase enormously the available food for bird life. So the more you can keep diversity once you are within the designated area the better.

Mrs Shaw: I would have to take a slightly different view from that. Our view is not so much that it is the boundary on the outside which should be so tightly drawn but the eligibility criteria within that boundary and it boils down to what you are trying to support and what are the objectives of your LFA. If the objectives of your LFA support mechanism are about the maintenance of sustainable land management and particular types of farming involving large areas of semi-natural habitat then I think you probably do want to exclude people who have intensified beyond the ecological limit but not on a field-by-field basis, looking at it from base level. There may be farms where you have that good arable field down the bottom and an area of good intensive grassland but the bulk of your area is large areas of semi-natural vegetation. That would obviously be characterised largely by its semi-natural vegetation. You really do need to tie it to your objectives. To make the scheme defensible and to make the provision of public money for the support defensible you have to say, "We are using an LFA scheme to support this kind of land management for these reasons". If people are outside of those criteria because they have intensified significantly with all their activities taking place in sheds, with very intensive permanent pasture outside or whatever, then I think there is an argument to exclude them.

Mr Morris: The designation has to be very wide. It is the designation and it is what you do with that designation and the specific parts of it that is the key thing. It is important to keep it as wide a possible. Within that area you must decide on a much more specific basis which particular hooks you want to hang on things depending on what you want to do. You have got to accept the fact that when you put an LFA designation around an area there will be parts of that designation that are not less favoured. Pragmatism says that is the case, but it is what you do with the bits within the designation that is important.

Q166 Chairman: You two, Mr Morris and Miss Shaw, are really arguing for fairly broad designation but focused eligibility, is that right?

Mr Morris: Yes, and those eligibility criteria will vary from area to area, from objective to objective and from desirability to desirability factor.

Q167 Chairman: And Mr Thomas-Everard is basically saying anything goes, is he not?

Mr Thomas-Everard: The problem is the moment you say you have to do something specific, you then bring in inspectors to make sure that you have not ploughed up a field and put it into kale. It is very worrying. I would look ahead at the controls that might be imposed once you start.

Q168 Chairman: Put a poultry shed on it?

Mr Thomas-Everard: If the wife wants some pin money from eggs, but I suspect not anymore at the moment, I do not know. I just know that because hill farming particularly has become so dominated by grass only (and people who used to have an arable field kept diversity) there has been a drop in farmland birds in the uplands which plainly got fed on the stubbles that were left over winter on one or two fields. I am not talking about a major arable

farm because that would mean per se somebody has got the line wrong if you can have a wholly arable farm in an SD area.

Q169 Viscount Brookeborough: To what extent should eligibility criteria be harmonised in the EU? I think you have almost exhausted it unless you have anything else to add on it. I think we understand what you are saying, which is that there ought to be pretty broad criteria and then different areas must be treated in a different ways. Okay, let us move on. One of the biggest flocks or herds of grazers you have in Scotland are deer. I know they do not come within funds that are issued from the EU or whatever. Do you have anything very quick to say on that? They do change the landscape. In particular, a few years ago I was at a place west of Loch Shin and it was simply unbelievable, the ground was poached to a greater extent than any of my fields at home.

Mr Morris: And it is not just a Scottish problem. The deer population everywhere is out of control.

Mr Thomas-Everard: It is a welfare problem.

Mrs Shaw: Scottish Government staff went round all parts of Scotland last year talking about the things you needed to do for cross-compliance and trying to clarify to everybody what cross-compliance meant in their particular holdings. You can be found guilty of breaching cross-compliance if you are a tenant farmer, so you have no right over the deer or what is happening on the moorland with the deer, but you can still be held liable for breaching your cross-compliance conditions by poaching if the area has been poached by deer, which is quite a significant concern in some areas.

Q170 Viscount Ullswater: Some of the schemes that are going to be on offer are for five years and sometimes tenant farmers are not going to be able to access those or the landlords

will not give them permission. Is that a concern for you, because I know that quite a lot of people are tenant farmers on these uplands?

Mr Thomas-Everard: Defra say that it is a very small amount. I think it is two per cent they claim is in shorthold tenancys of one sort or another in England. (I think the situation for Conacre is very different in Northern Ireland). I would estimate that it is much more like 15 per cent. Bearing in mind that the average age of farmers is now approaching 60, the traditional way of getting started in farming is to rent grass and have a few animals as a part-time job and then expand if you are successful at it. If you are going to cut off the opportunity for people to start with renting grass and being unable to get the rest of the market's payment you are going to pull the rug out from underneath those start-up farmers. We need to find a way to be able to support people who have something like a two-year tenancy or even a one-year annual grass rent on a regular basis. At the moment they get the Hill Farm Allowance but they will not be getting the Upland Level Entry Stewardship Scheme.

Q171 Lord Palmer: Are rents payable to all dependents on HFA payments? If one was a huge landlord in your part of the world, does the LFA payment get taken into account when re-assessing rents?

Mr Morris: As a tenant farmer it would be a very visible part of my income and as such very easy for a landlord to adjust rents accordingly knowing what the income of the farm is. Yes, I think it must have a huge effect.

Chairman: That contradicts the evidence that we had last week because I asked a similar question along the lines that if you have a payment related to land then one way or another the value of that payment will accrue to the capital asset, which is the land. I was told that that did not happen because rents and land values had much more to do with other things than the agricultural productivity.

Viscount Ullswater: Land values but surely not rent.

Viscount Brookeborough: In Northern Ireland, because we have Conacre, we had a slight variation in the rules so that whoever opted in on the original date to pick up the eligible funds owned those, but because we have Conacre we could not let the tenants pick it up or otherwise if they left the land they would still pick up the funds. It is done slightly differently because we have Conacre.

Q172 Earl of Caithness: On costs and payments, do you regard the new payment formula - based on 'additional costs and income foregone related to the handicap' - as adequate and appropriate?

Mr Thomas-Everard: No is the answer.

Mrs Shaw: It is back to the discussion we had earlier about what are you trying to achieve in the LFA. It is time to say what would we like these farmers/crofters to do? If you go to the economic reality in our part of the world, the most economic thing to do is do nothing. Then to an extent if you want that man to continue in agricultural activity you have to look at the costs of maintaining that desirable level and, of course, the handicap is relevant to that. It is slightly awkward, but rather than looking directly at the handicaps, what is it that we are requiring him to do and what are his costs going to be in achieving that? If you require him to maintain cattle grazing at a certain level or sheep grazing at a certain level, or whatever, what are the actual costs to him of achieving that? That is where the level of the payment should be set, so you are turning it into quite a positive thing in saying we are actually paying for the provision of something; we are paying for the provision of a management system which provides public goods and we have to look at the cost to this chap of achieving that – and that will obviously relate to the level of handicap that he faces – and set the payment level accordingly.

Mr Morris: I would agree that income foregone as a principle is very difficult to show. You forego income largely by reducing your stock numbers – that is the basic principle – and the extra pressure that that puts on the remainder makes it very difficult to actually sustain yourself having just worked out a little bit of income foregone for what was got rid of, there is too much pressure on the rest of the business.

Q173 Earl of Caithness: Can I follow that up then? If you are looking to say in a less favoured area there are going to be certain objectives the beauty of the current LFA scheme is that it is paid to the farmer because of active farming. If you are talking about managing the countryside you are going to have to split the payment between the land owner and the crofter or tenant because a lot of the work will be of a landlord nature. Is this not going to be much more bureaucratic? I know a lot of crofters who are very keen to show me their prize ewe lamb but not once have I been shown the latest curlew nest by a crofter; the mindset is farming whereas you are now talking and the Commission now seems to be talking about managing the countryside, which is totally different from pure farming because who is going to maintain the slate walls in Caithness?

Mrs Shaw: What I am talking about is not so much the onward level of environmental management if you like but the baseline level of agricultural activity. To then start targeting more specific environmental management things, as you say they are often going to be landlord and tenant type relationships in terms of more specific habitats and features, but what we see LFA as being is the maintenance of active agricultural land use by the farmer, by the crofter. Maybe I would just have to question slightly the justification given in Scotland at the moment for LFA payments. Since 2007 we effectively decoupled our LFA payment, a move which everybody at the time was concerned about, but effectively what happened in 2007 was that everybody received the same level of LFA payment as they did in 2006. In 2006 it had obviously been related to stocking mixtures, proportions of stocking and so on, from 2007 to

2009 it is purely historically what you got in 2006, provided that you maintain some level of agricultural activity. That some level of agricultural activity clause is quite subjective, it depends on the chap coming out from the local office and saying “It looks a bit like farming to me.” As a result there has been a considerable decline in agricultural activity in spite of the fact that the LFA measure has been there, supposedly to support and maintain that level of agricultural activity, hence the reflection coming through from the current secretary, Richard Lockhead, in his speech to Oxford. He was reflecting the view from Scotland which is saying “No, we have to be paying for active agricultural use, not for some form of what you used to be doing provided it looks a little bit like farming.” That was very much reflected in the Scottish concern which came about since the link in the scheme was no doubt broken in 2007.

Q174 Earl of Dundee: In less favoured areas and in terms of your members what do you reckon to be the average cost per head of maintaining a unit of livestock?

Mr Morris: A man is expected to be responsible for 1000 breeding ewes to have any chance of being economically viable. That, at the peak time of the year, even in LFA areas where perhaps he might have a annual percentage of 1.3 or 1.4 means that he could well be in charge as an individual of 2500 sentient beings, and I think there is something morally wrong in all of that, to be honest, it is an awful lot of responsibility for one person. To have a person look after that is going to cost you £30,000 a year; £30,000 a year over 1000 ewes is £30 a ewe; that is just for the man. Then depending on what level of severity you are up the hill the level of management will be different in terms of input costs, but you could quite easily be looking at variable costs of £11 or £12 a ewe and fixed costs again would vary dependent on the extensiveness of the farming enterprise, but you could easily find yourself in a situation where the 1000 ewes the man is responsible for are carrying a cost of £50 a head.

Q175 Earl of Dundee: Very roughly how would that figure alter when you take account of the value of the animal at slaughter?

Mr Morris: Those LFA people are not the ones slaughtering the animals in a large number of circumstances, they are the people producing the stores, as we identified earlier. If you go back to this last autumn's trade, sales up in the Highlands, the Blackie lambs coming down off the hill, with 1000 ewes they would be lucky if they had 1000 lambs to sell by the time they have kept their ewe lambs back to keep the flock going, and figures of less than £20 a head would be very common; £15 a head would be realistic so you might sell 500 or 600 lambs at £15 a head – that is £9000 off his cost of £50,000. It is going to be a job for the marketplace to make that gap up. They are ballpark figures.

Mrs Shaw: I would agree with that. We looked at it in terms of somebody running about a ewe to a hectare, so we would be talking effectively about one unit of LFA support plus two units of single farm payment, because that is roughly the proportion it works out at for larger areas, giving you one unit of income. If you are getting £10 a head for LFA, £20 a head for single farm payment you might be making £10 income per head per hectare, so you are effectively losing £20 for every hectare. It is a similar sort of scenario.

Q176 Lord Livsey of Talgarth: Can I just ask a question about breed diversity and the survival of breeds in the UK because we know in many different areas you have a breed that is specific to the environmental conditions in the area. If there is a radical alteration in the formulation of LFA payments do you anticipate that some of these breeds will disappear?

Mr Morris: Yes, probably. The debate about the strengths or weaknesses of having 90 odd breeds of sheep is an ancient debate which goes around and people have very strong views about. The thing is that you could actually, if you take breeds and group them into types, look at 80 per cent of the sheep being covered by 12 types and you may lose individual distinctiveness within a type but the types will maintain themselves. In this last week in

Eppynt there is a new breed that has been formed – there is a recognised process for developing a breed and we should continue to see a proliferation in different ways for a variety of reasons, sometimes good and sometimes bad. The unique distinctiveness will not stay, but the types will be maintained although some of the individual features will be lost.

Q177 Lord Brooke of Alverthorpe: I declare an interest; I am an adviser to Accenture Plc which is not directly relevant here but has an interest in LFA payments. In part you have possibly answered my question about the proportion that the LFA payment makes up of income, and you were talking primarily there about the single farm payment, but earlier you also spoke about the extent to which people are employed part-time in farming and are doing supplementary work such as postal work and so on. Could you give us a clearer indication, do you think, of the element the LFA payments makes up of the total payment?

Mr Morris: It would vary the further up the hill you go and there would be situations in the sheep industry where, on the top of the hill, for want of a better choice of words, when you clump together all the public payments – the single farm payment, the HFA payment, anything that is related to where that land is – you can easily be looking at 70 plus per cent of total income coming from the public purse. The further down the hill you go in the LFA that might then drop down to 40 to 50 per cent. A big percentage of LFA farmers take the majority of their income from the public purse.

Mrs Shaw: I would agree and if you look at, within Scotland, more disadvantaged areas versus less disadvantaged areas, obviously, as you say, the higher up the hill you go the lower your single farm payment tends to be because it is production-linked and the higher the proportion of your income which is made up of the LFA payment. We are looking at figures of somewhere in the region of 40 per cent of farm income being made up of LFA payments, not necessarily because LFA payment levels are particularly high but relative to more

favoured areas where that figure may be in the region of 20 per cent. The point my colleague here makes is very fair, that the majority is on balance coming from elsewhere.

Q178 Lord Brooke of Alverthorpe: Can I divert onto a marginally separate issue which was raised right at the beginning on depopulation and beef. You mentioned right at the beginning that you were concerned about the fall in beef. What is the percentage drop that has taken place; similarly, has there been a percentage drop in sheep or is there a growth in sheep to compensate for the drop in beef?

Mr Thomas-Everard: The figures that I have got are only up to 2007 which show that over a period of two years it dropped by 5.2 per cent in Scotland and by about five per cent in England – I do not know the figure for Northern Ireland but I would guess it is the same and I think there has been a drop in Wales. This is for suckler cows which is what we are interested in. I think it is accelerating at the moment because the further we come away from any form of support that was based on the original base years of 2000 to 2002 the less money there is available for people to keep on going – as was said earlier, “Don’t tell the wife how much I am spending on keeping cattle”, to paraphrase what was being said. We, as farmers, all ought to be grasping the nettle and looking at our accounts and getting rid of cattle, but we keep on hoping that somehow or another you, and the EU and the Government, will keep the system going, because our parents and grandparents did. It is quite a brave farmer who actually says I am going to give up keeping stock and just live on the single payment, but that is theoretically what we ought to be doing and what in fact some people are doing. What concerns me is the socio-economic bit of it. If you have 1000 hectares, 2500 acres, if you keep cattle you have very roughly 16 people actively employed under the age of 70 at least and you will have among those, people who work for a local contractor making silage in the summertime, and in the winter they are making hedges or putting up walls, so there is active employment throughout the year for them and there is a balance to that employment. If you

have sheep – I would take advice from Peter but I would think it works out at about six people per 1000 hectares, 2500 acres. If you have arable you are down below two people per 1000 hectares, yet when they decided the distribution of the single payment £191 was considered right in of 2013 for the arable 1000 hectares (per hectare) and yet the people with high numbers of cattle and the high employment actually had a lower figure of £161 instead of £191, so, if you put 1000 on the end of that it is £161,000 which has to be split among 16 people, and yet you are splitting £191,000 between two people. When one of the reasons is for keeping people employed in the countryside, to pay the money in that way seems to me rather counterproductive.

Q179 Chairman: Have we not got a problem here, to be quite frank? You are arguing, quite understandably, for the maintenance of the agricultural population when you are talking in socio-economic terms.

Mr Thomas-Everard: Yes, but my Lord Chairman it is rapidly becoming an environmentally-employed population for a large part of the year, but what keeps them going through the rest of the year is agricultural work.

Q180 Chairman: My argument is slightly different in that what we do know is that for however many decades agricultural employment has been going down, and the growth often in rural employment – and rural employment overall is increasing – is in non-agricultural employment. Do we not just have to accept that really the future of the countryside and our rural areas is in non-agricultural employment, and to see the public purse there to provide agricultural employment as a means of maintaining rural employment is a misuse of resources?

Mr Morris: My Lord Chairman, yes, I cannot argue with the trend but it depends on the type of people because clearly the agricultural based population, the indigenous population, for

want of a better choice of words, in those areas is very, very good and always has been very good at making the money sticky. They keep it in the local community much more than the changing nature of people who live in those rural areas where the money they generate and earn is much less likely to be spent within the local community. There is quite an important counterbalance there. The other point then is going back to the sheep figures. For the last three or four years the biggest proportion of sheep are in LFA and we have seen a gradual decline, slightly higher in the LFA than in the lowlands, of three to five per cent over the last three or four years. Every indication is that that will have accelerated in the last 12 months; the number of sheep going through, culled breeding ewes, has gone up quite significantly and the biggest concern for me at the moment is that we now have a flying sheep trade – we really are seeing tremendous prices, all on the back of the decline of sterling and being driven entirely by exports. Exports are driving our trade tremendously well and we are seeing prices that we have not seen for several years. The biggest concern is that there is no confidence, and that is manifesting itself in the fact that people are killing their breeding stock on the back of the high prices, and that is because there is no confidence to carry on farming. That is the real worry, so how do you inject the confidence back in there that says because I have got high prices and because there is a chance I could be getting a bigger part of my income from the marketplace I am going to carry on doing what I am doing – no, I am not doing that actually, I will get out because it is time to cash up.

Q181 Viscount Brookeborough: It is also true that those prices which have accelerated, which we have not had for several years, are only a price in numeric terms, it does not take account of the inflation in fertilisers and everything else. If you take it from six or seven years ago, that price is not really as good as it was then.

Mr Morris: Yes, it is a price in figures. Obviously, everybody's costs have gone up quite considerably, we fully accept that. The sheep industry does not carry the level of costs,

particularly in respect of capital costs, that other industries do, but it is a real worry when we are seeing those prices and we are getting out of it.

Q182 Chairman: The argument must be that if people are acting in the way you say, i.e. they are cashing up when prices are high and getting out, that should be perverse. The only reason they are doing that you say is because of lack of confidence, and that must mean that there is a realisation under there that there is a structural imbalance in the market and there is structurally an over-supply of sheep so that the price cannot be maintained once you have gone through this bubble.

Mr Morris: If you look at what is happening to sheep numbers on a worldwide basis they are all cutting back, driven by lack of profitability, but we are not self-sufficient. The demand is there for the product but the supply chain does not allow each part of that supply chain to take its living from it.

Baroness Sharp of Guildford: Put that, if I might say so, together with the average age of your farmer in these marginal areas, and the fact that they frequently do not see their children wishing to take over the farm, you have a situation in which this is perhaps a good time to cash up and get out.

Lord Livsey of Talgarth: At the same time if I may say so, as an agricultural economist, the supply and demand economics that are taking place mean that you will have a deficit in the number of sheep and you will maintain higher prices for quite a considerable time.

Q183 Lord Brooke of Alverthorpe: There was a logic in the question I was trying to pursue, which we have come round to, which is what were the percentages in the fall of the market and the next question then was the reasons why. We seem to be having different views on that.

Mr Thomas-Everard: To answer Lord Livsey's question first if I may, my Lord Chairman, it is because people see an opportunity. In the case of cattle, if they can get their animals clear of TB, a lot of people are getting them sold as quickly as they can to get out because they know they will get re-infected, but generally right across the world people are getting out of suckler cows. Your point applies to pigs very well – if the price is well enough up then people will restock with pigs – but in the case of cattle you are talking about three and a half years lead time and my anxiety is that at a time when we are going to go to a population of 8.5 billion by 2035 – which is a lot sooner than the figure people normally quote which is 2050 – and we are also apparently talking about levels of arable land reducing by something like 50 per cent because of underground salination of water where people are deep-pumping for irrigation and getting salts coming up, it just worries me that though in the future we will be all right as beef farmers, to get from here to there we could well have a terrible dip, and we could end up with riots, and people going into stores, as they do in Zimbabwe, where there is no food.

Mr Morris: I think it is deeper because particularly in the LFAs if we see the animals go you cannot put them back, (a) because the people go with the skills and (b) what happens to that area after the animals go makes it pretty much impossible – particularly in hefted situations. It just will not go back, so it is not going to be a supply balance thing, once it has gone it has gone.

Q184 Lord Brooke of Alverthorpe: How do you keep people there and animals there when in fact the profits now are as big as ever?

Mr Thomas-Everard: Can I answer that, my Lord Chairman? One of the anomalies at the moment is that profits are there for selling suckler cows because at the moment the price of mince has gone up by about 36 per cent in a year but the price of the quality joint has gone up a lot less than that, so you have a situation now where the price of a fat suckler cow is coming

to as much or more than the two-year old progeny which the farmer thought was going to be his market-beater. When people see that similarity between the cow that he used to think of as being an expense to get rid of, and suddenly now because of the price of mince being so high his suckler cows are worth a lot of money, people are remarking on that to each other in the market or in the pub and taking decisions to get rid of any fat cow that is getting on in years and not replacing it. Does that help you, sir?

Mr Morris: On the sheep side it is a fair comment, it is the killing of capital stock. In the sheep sector it is the ethnic trade that is driving the ewe price to the extent that ewes that were breeding animals in the autumn, making perhaps £40 or £50 as breeding animals, can have their throats cut now in the spring and they are £75.

Q185 Chairman: Basically this is disinvesting in a rising market.

Mr Thomas-Everard: Yes.

Q186 Lord Livsey of Talgarth: That is because you have got 60-year old farmers.

Mr Thomas-Everard: There is another phrase that 60-year old farmers use which is “Catch the ball while it’s hopping”.

Chairman: That was absolutely fascinating. I do have to be careful because Lord Livsey is here but I once said that agricultural economics was a contradiction in terms and I sometimes think that that is the case. Thank you very much indeed, that was very helpful and very enjoyable.