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Environment, Food and Rural
Affairs Committee

Farming in the Uplands

Third Report of Session 2010–11

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Environment, Food and Rural Affairs Committee

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Summary

The uplands are rare and beautiful landscapes which have been formed in large part by generations of agricultural endeavour. The future of these valuable landscapes and the communities that live there depend on hill farming remaining as the principle form of land management. The Commission for Rural Communities (CRC) was established to promote awareness of rural needs; represent rural communities; provide advice to Government on rural issues; collect data and conduct research. The CRC has strived to make all government departments consider the needs of rural communities when making and implementing policy. The Government has decided to abolish the Commission for Rural Communities—it therefore falls to the Department for Environment, Food and Rural Affairs (Defra) and its Ministers to continue the work of the Commission and to act as the advocate for rural communities within Government.

This inquiry builds on the CRC's report *High ground, high potential—a future for England's upland communities*. In responding to this report and the CRC's report, Defra must produce an uplands strategy that sets out a clear, costed action plan that sets out how it will ensure that hill farming in the uplands can be viable and thrive.

Many hill farms struggle to make sufficient income and would fail without subsidy provided through the Common Agricultural Policy. Farming must remain at the centre of any strategy for the uplands. Defra must tackle the main barriers to hill farming becoming viable, including the management and delivery of agri-environment schemes and the Single Payment Scheme. The reform of the Common Agricultural Policy will be decided later this year. The reformed CAP must provide incentives and mechanisms to encourage hill farmers to make the most of the opportunities in the uplands. Upland farming would benefit from a return to a limited form of coupled payment.

The Government must enable hill farmers to make a financial return from the provision of public goods such as carbon storage and water management. Hill farmers will require access to improved knowledge transfer and extension services to make the most of those opportunities, as well as improving agricultural productivity and sustainability. Upland farmers also need the tools and support to enable them to diversify to supplement their farming activity.

Upland communities should be given the opportunity to develop. Access to the internet through superfast broadband is one element of that development. The Government should support upland communities by assisting local planning authorities to provide affordable housing. Upland communities and hill farmers should not be disadvantaged in respect of accessing grants, particularly the Rural Development Programme for England.

The Government must decide whether it wishes agriculture in the uplands to continue. The maintenance of the uplands' unique and precious landscapes depends on supporting hill farming and ensuring they have a future.

1 Introduction

Background

1. The English uplands include some of the most dramatic and cherished landscapes in the country.¹ There is no precise definition of ‘uplands’—they are semi-natural habitats, including wet and dry dwarf shrub heaths, blanket bog and other mires, scrub, bracken and grasslands (including acid, calcareous and neutral). The uplands are largely, but not exclusively, above the upper limits of enclosed farmland and have to some extent been formed by generations of agricultural activity.² This inquiry was prompted in part by our recognition of the special nature of agriculture in the uplands and the Commission for Rural Communities’ (CRC) report on the uplands, *High ground, high potential—a future for England’s upland communities*.³

2. We announced the inquiry on 16 September⁴ and received 25 written submissions.⁵ We took oral evidence from Dr Stuart Burgess, the Chairman of the CRC and Rural Advocate, Professor Mark Shucksmith, Commissioner, CRC, Tenant Farmers Association (TFA),⁶ National Farmers Union (NFU) and Country Land and Business Association (CLA),⁷ and English National Park Authorities Association (ENPAA)⁸ and the Minister of State for Agriculture and Food, James Paice MP.⁹ We are very grateful to all those who helped us with our inquiry.

3. The CRC launched its inquiry into the future of England’s upland communities on 11 February 2009. The aim of the inquiry was to “identify and evaluate the drivers of change in upland communities, and to develop policy recommendations to enable and equip them to move towards more secure, economically prosperous and sustainable futures”.¹⁰ In *High ground, high potential* the CRC explained the rationale for undertaking its inquiry:

...the English uplands are valuable national assets worthy of protection not only in their own right but because of the many natural and cultural resources they generate.

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- 1 In this inquiry we have used the same definition of the uplands as the Commission for Rural Communities. See *High ground, high potential*, page 26
 - 2 See Ev 68 for description of upland geography and habitats.
 - 3 *High ground, high potential – a future for England’s upland communities*, Commission for Rural Communities, 15 June 2010, Hereinafter ‘*High ground, high potential*’.
 - 4 The Terms of reference for the inquiry are at: <http://www.parliament.uk/business/committees/committees-a-z/commons-select/environment-food-and-rural-affairs-committee/news/farming-in-the-uplands/>
 - 5 Written evidence to the inquiry is at: <http://www.parliament.uk/business/committees/committees-a-z/commons-select/environment-food-and-rural-affairs-committee/publications/>
 - 6 George Dunn, Chief Executive, and Mike Keeble, Uplands Spokesman, Tenant Farmers Association
 - 7 Dr Andrew Clark, Head of Policy, NFU, Will Cockbain, Uplands Spokesman, NFU, William Worsley, President, CLA, and Professor Allan Buckwell, Director of Policy, CLA
 - 8 Dr Nigel Stone, Chief Executive, Exmoor National Park, and Peter Barfoot, Head of Conservation, North York Moors National Park, English National Park Authorities Association
 - 9 Accompanied by Jeremy Eppel, Deputy Director, Uplands, and Dan Osgood, Deputy Director, Environmental Land Management, Department for Environment, Food and Rural Affairs
 - 10 Commission for Rural Communities, *High ground, high potential: a future for England’s upland communities*, July 2010, p 5

[...] Yet these communities are under threat, facing as they do a number of social, demographic and economic challenges in a period of quite extraordinary change....¹¹

4. *High ground, high potential* was published on 15 June 2010. In the report the CRC made 35 recommendations covering: strategy and leadership; empowering upland communities; securing a future for hill farmers and funding farmers; developing new markets and encouraging enterprise; planning and community development; and broadband and mobile communications (Annex 1 lists the recommendations in *High ground, high potential*). The recommendations cover issues that are the responsibility of several Government departments including the Department of Environment, Food and Rural Affairs (Defra), the Communities and Local Government Department (CLG), the Department for Business, Innovation and Skills (BIS) and the Department for Energy and Climate Change (DECC).

5. The majority of the written evidence submitted to our inquiry supported the broad aims of the recommendations in *High ground, high potential*. We have focussed on farming in the uplands, although we have touched on other issues that affect upland communities. The principal output of farming in the uplands is livestock (beef and sheep meat production), although dairying is also important in some regions.¹² Many consider farming to be critical to preserving the uplands' landscapes and communities. Defra, in its written evidence, referred to the public view that upland economies, communities and landscape would suffer if farming declined. The special nature of farming in the uplands was acknowledged in many of the submissions to the inquiry. The Agriculture and Horticulture Development Board (AHDB) said that:

It is widely recognised that farmers involved in livestock production are responsible for the stewardship of the bulk of our upland landscapes and habitats. In many cases, livestock farming represents the only opportunity to manage land through agriculture with land either too steep for cultivation or above the tree line at which point even forestry becomes impossible.¹³

6. In its report the CRC noted that now only 5.2% of the uplands workforce is directly employed in agriculture or forestry.¹⁴ However, the CRC described hill farming as “a way of life that remains central to most of the uplands”.¹⁵ Professor Shucksmith expanded on this during oral evidence. He told us that one of his top priorities from the report was the need “... to emphasise and to recognise the interdependence of the hill farmers and the public goods and assets with the upland communities in which they're embedded”.¹⁶

7. We have considered the recommendations made in *High ground, high potential* and the reaction to them by interested parties. This report broadly follows the structure of *High ground, high potential*. We have naturally focussed on the issues most relevant to the

11 *High ground, high potential*, p 22.

12 Ev 71

13 Ev w26

14 *High ground, high potential*, p 4. Manufacturing and the wholesale and retail trade are the dominant employers in the uplands (34%).

15 *High ground, high potential*, p 22.

16 Q 6

Department for Environment, Food and Rural Affairs (Defra) but have also considered matters that are the principal responsibility of other Government departments. We expect Defra to consider our recommendations alongside those made by the Commission for Rural Communities in formulating its uplands strategy.

2 The Commission for Rural Communities

8. The Commission for Rural Communities (CRC), a Defra-funded non-departmental public body, was created by the Natural Environment and Rural Communities Act 2006. The CRC received £6.48 million Grant in Aid from Defra in 2009–10 and employed 74 staff.¹⁷ There are currently ten Commissioners in addition to the Chairman. Under the Act, the Commission's purpose was to promote awareness of rural needs among relevant authorities and the general public and its three main functions were: representation, advice and monitoring; research; and information services.¹⁸ The CRC also supported Defra's role of encouraging other Government departments to take into account rural matters when developing policy and designing delivery. The process, known as 'rural proofing', requires policy-makers to consider the impact of rural issues such as more dispersed population, fewer service outlets, greater travel needs or smaller economic markets on the effectiveness of new policy, legislation or delivery mechanisms.¹⁹

9. On 29 June 2010, the Secretary of State for Environment, Food and Rural Affairs, Rt Hon Caroline Spelman MP, announced that the CRC would be abolished in March 2011 and that rural policy would be subsumed back into the department.²⁰ Defra anticipates that the abolition of the CRC will cost approximately £2.5m in redundancy costs and save around £18m. Understandably, Dr Burgess, Chairman of the CRC, expressed sadness at the decision to abolish the Commission.²¹ He told us that he expected the CRC's evidence-based work and working with stakeholders would be taken into Defra.²² Professor Shucksmith, Commissioner at the CRC, told us that he would wish the Rural Communities Policy Unit to take on the Commission's focus on rural disadvantage and that its advice would be transparent to the public.²³

10. Following the announcement disquiet was expressed about whether and how the Government would sustain the work done by the CRC.²⁴ The NFU welcomed the decision to bring policy-making back into Defra but identified two risks resulting from the demise of the CRC. First, whether Defra would be as good as the CRC had been at listening to farmers and local communities and second, ensuring Defra was influential within Whitehall. Several rural and upland issues are the primary responsibility of other Government departments. Dr Clark, Head of Policy at the National Farmers' Union (NFU), told us that:

“The uplands are not led just from [Defra HQ]; they have to be led from CLG, DECC, the Home Office and also the MoD, which has important landholdings. All

17 *Commission for Rural Communities Annual Report and Accounts 2009–10*, 20 July 2010, HC 200

18 Natural Environment and Rural Communities Act 2006, sections 18–21

19 See <http://ruralcommunities.gov.uk/category/our-work/impact4/ruralproofing/>

20 For the written ministerial statement, please see: <http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm100629/wmstext/100629m0001.htm>

21 Q 7

22 Q 8

23 Q 8

24 Ev 53; CPRE responds to scrapping of Commission for Rural Communities (CRC), 29 June 2010, <http://www.cpre.org.uk/news/view/686>; The countryside will be the poorer, *The Daily Telegraph*, 2 July 2010

these different groups need to be brought together, so we depend on the champion being able to influence all of those policy levers”.²⁵

11. Defra’s Ministers have argued that their knowledge and experience of rural issues enable them to be effective advocates for rural communities and issues within Government. Mr Paice, for example, told us that:

...there is a great wealth of knowledge within the ministerial team, for a start, but also within the Department and on the Government benches in the House of Commons [...] We feel that the understanding of the problems of rural areas is there already.²⁶

At the time of the announcement of the CRC’s abolition, the Secretary of State said that “focusing rural policy making within the department will give rural communities and interest groups a direct link to central policymakers and a stronger champion for rural issues at the heart of Government”.²⁷ However, given that Defra is supposed to be taking on the breadth of the CRC’s advocacy role within Government, it was disappointing that the Minister of State felt unable to comment on several issues raised in the CRC’s report, for example, on rural housing, tourism and broadband.²⁸

12. The department intends to reinforce its capacity to undertake rural policy work by strengthening its Rural Communities Policy Unit. The unit, which will have a complement of 33 staff, came into being on 1 December 2010, when 14 staff were formally transferred from the CRC to join Defra’s existing rural team.²⁹ The Secretary of State has said that the new unit would work across Government to ensure that the interests of rural communities were reflected.³⁰ Defra did not produce a rural impact assessment of the Government’s Spending Review, but its Rural Statistics Unit produced a “one page summary entitled ‘Carrying out rural-urban distributional analysis of spending decisions’ [which] included a link to the Commission for Rural Communities Rural Proofing Toolkit...”, which was circulated to all departments in late August 2010.³¹ Defra’s Rural Statistics Unit and Rural Communities Policy Unit have also provided advice to Government departments in response to requests for assistance.³²

13. The CRC was not only able to provide independent expert advice and analysis to Government on rural issues, but also took the initiative in bringing concerns to the attention of departments, Ministers and the Prime Minister. Defra describes itself as “the rural champion within Government”, but we are yet to see any evidence that it will provide

25 Q 101

26 Q 166

27 “Spelman announces agencies shake up” Defra press notice, 29 June 2010.

28 Qq 219, 220, 235, 183

29 HC Deb, 13 December 2010, col 531W; Q 168

30 HC Deb, 29 June 2010, col 36WS; “Spelman announces agencies shake-up”, Department for Environment, Food and Rural Affairs press release, 29 June 2010

31 This has yet to be published. The uncorrected transcript of this evidence session can be found at <http://www.parliament.uk/efracom/publications>

32 This has yet to be published. The uncorrected transcript of this evidence session can be found at <http://www.parliament.uk/efracom/publications>

the same vigour as the CRC in pursuing solutions to rural problems.³³ The decision to abolish a source of external challenge and expertise should not be justified on the basis of whether or not the current Defra Ministers have experience of rural issues. It is not clear to us that abolishing the CRC will result in an improvement in Defra's rural policy development functions, or that rural issues will receive greater attention across Government.

14. We are concerned that, following the abolition of the Commission for Rural Communities (CRC), there is a real risk of a diminution in rural expertise within Defra and across Government.

15. The Secretary of State told us that the new arrangement would provide “a stronger champion for rural issues at the heart of Government”. However, we recommend that Defra set out in clear and unambiguous terms how its Ministers and Rural Communities Policy Unit will build their capacity and expertise in relation to rural issues and how they will provide the degree of ‘challenge’ across Government to act as effective advocates for rural communities. We further recommend that Defra’s Rural Communities Policy Unit be required to:

- **work across Government to ensure policy is ‘rural proofed’,**
- **make its work accessible to the public, and**
- **continue the data collection and analysis work of the CRC.**

Fulfilling these requirements should be included in the objectives of the Head of the Rural Communities Policy Unit.

16. Defra should, within six months of the final winding up of the CRC, publish an assessment of the work of its Rural Communities Policy Unit and an analysis of the overall savings achieved in providing Defra’s rural policy and statistical work as a result of abolishing the CRC. Following publication of that report this Committee will wish to scrutinise the work of Defra’s Rural Communities Policy Unit.

³³ This has yet to be published. The uncorrected transcript of this evidence session can be found at <http://www.parliament.uk/efracom/publications>

3 An integrated strategy for the uplands

Defining the uplands

17. Many of our witnesses set out compelling descriptions of the special and unique nature of upland environments, their communities and their farmers. The NFU referred to the “unique challenges and opportunities uplands areas face”,³⁴ and George Dunn, chief executive of the TFA told us that:

The uplands are unique in a number of aspects: they are physically remote from the rest of the country; the climatic conditions are variable and quite extreme; they are economically remote and tend to be hard places from which to make a living; and the opportunities are very narrow in terms of what you can do with the land.³⁵

Mr Paice gave a similar analysis—he considered the uplands and hill farming different due to the climate, remoteness and landscape difficulties and associated restrictions on forms of farming.³⁶

18. Although there is general agreement about their attributes and characteristics there is no statutory definition of uplands. The CRC had “struggled” with the question of defining the uplands, and, like Defra, took the pragmatic approach of relying, in the main, on the Less Favoured Areas (LFA) boundaries to define them.³⁷ Professor Shucksmith considered that a definition of the uplands would be useful for the Government for formulating policy and developing an uplands strategy but the CRC acknowledged that such a definition would need to be sufficiently flexible to encompass the diversity of the upland areas.³⁸ The NFU and Country Land and Business Association (CLA) seemed content, from the agricultural point of view, with the use of LFA boundaries to define uplands, as did the Minister.³⁹ Mr Paice told us that “...when we refer to ‘the uplands’, we tend to mean the areas called the Less Favoured Areas. It’s not an absolute precise term, but it’s fairly close and the one we tend to work to”.⁴⁰

19. Some 2.2 million hectares of land in England are currently classified as LFA. Of this, 1.8 million hectares is in agricultural production (this is approximately 17% of the total agricultural land in England). The LFAs are further divided into two distinct classifications: Disadvantaged Areas (DAs) or Severely Disadvantaged Areas (SDAs). For the purpose of the Single Payment Scheme (SPS) Less Favoured Areas are subdivided into: English moorland within the Severely Disadvantaged Areas (SDA); English SDA non-moorland; and, English non-SDA. Moorland is specially disadvantaged due to higher altitude, harsher

34 Ev 62

35 Q 71

36 Q 170

37 Q 4, Burgess, Shucksmith

38 Q 5, Shucksmith, Q4 Burgess

39 Qq 99, 164

40 Q 165

climate with a shorter growing season, low soil fertility, difficult topography, and remoteness.⁴¹

20. For the purposes of its inquiry the CRC defined the uplands as

...an area focused on, but not exclusive to, the Severely Disadvantaged Areas (SDAs). To capture the majority of upland communities, and to broaden the range of datasets available to our Inquiry, we have chosen to include some areas of upland fringe, defined as those areas designated as Less Favoured Areas (LFAs) in England (with the exception of the Isles of Scilly).⁴²

The CRC went on to note that the descriptors ‘disadvantaged’ and ‘less favoured’ were used by the European Commission to describe an area’s agricultural potential and that they “...do little to convey the value of the uplands”.⁴³ The somewhat convoluted formulation of the CRC’s definition indicates the difficulties in defining the uplands. The CRC’s definition also relies upon the European Commission’s classifications for LFAs and SDAs that were created to enable farmers across the whole European Union to receive payments under the Common Agricultural Policy to compensate for specific disadvantages in those areas.

21. We consider the uplands landscapes and communities to be sufficiently exceptional and distinct to merit particular attention from Government. We recommend that Defra revisit the question of setting out a statutory UK or England-specific definition of ‘uplands’. A clear, statutory definition would assist the department in targeting policy and data collection. Such a definition might use a similar classification to those currently used in European regulations to define Severely Disadvantaged Areas and Less Favoured Areas. A Natural Environment Bill, which may arise from the anticipated Natural Environment White Paper, may provide an appropriate legislative opportunity to create a statutory definition for the uplands.

22. In April 2009 the European Commission published its proposals to change the way Less Favoured Area (LFA) status (renamed Areas of Natural Handicap, or ANH) is to be awarded. Under the proposals the current criteria that assess socio-economic handicaps, such as remoteness from a market, would be replaced by ‘biophysical’ indicators, such as climate and soil conditions.⁴⁴ Dr Clark expressed concern about the impact of the reclassification exercise on farmers in LFAs.⁴⁵ He said that:

I want to see Defra identifying the criteria needed to define upland areas and less favoured areas where there is a natural handicap, as the Commission are talking about them, and making sure they are suited to the UK climate, not just a central European one which is the current approach that the European Commission takes.⁴⁶

41 Ev 76

42 *High ground, high potential*, page 26

43 *High ground, high potential*, page 26

44 ‘EU confirms plans to reform LFA support’, *Farmers Guardian*, 21 April 2009

45 Q 99

46 Q 116

23. His concerns may be well-founded. Defra described in written evidence how a simulation of the impact of the Commission's proposals on England revealed that the new criteria would exclude areas of the South West and parts of the Welsh borders as it failed to take account of the UK's "maritime climate" (such as rainfall patterns).⁴⁷ Defra continues to discuss how the new approach can take the UK's circumstances into account.⁴⁸ The CLA characterised the process as "a fairly fruitless statistical exercise", which now involved "an unrewarding to-ing and fro-ing between Defra and the Commission on how to tweak their nine biophysical criteria so that it reproduces the current LFA borders".⁴⁹

24. We are concerned that, in their current form, the European Commission's proposals for new criteria to assess Less Favoured Area (LFA) status would exclude significant areas of England from the additional support they currently enjoy and will continue to require. In particular we would not wish the criteria used for any new classification to exclude areas currently designated LFAs, such as parts of the South West of England whether on the basis of altitude, climatic conditions or any other factor. We therefore urge the Government to put up a robust defence of the English uplands in its discussions with the European Commission.

A new national strategy for the uplands

25. The CRC's first recommendation in *High ground, high potential* is that there should be "a new national strategy for the uplands"; which would:

.... provide a coherent framework so that upland people, businesses and communities can better understand what they need to do to play their part in protecting and enhancing the value of these important local assets.⁵⁰

The CRC refer to this strategy several times in their report, but there is little detail about of what exactly it would consist. The report states that the strategy should be developed by the Government and should "be informed by local knowledge and experience and should be sufficiently flexible to accommodate the rich diversity of these areas".⁵¹ Peter Barfoot, Head of Conservation, North York Moors National Park, said that the uplands face the same challenges and issues as other rural areas, but they "also face specific challenges of their own".⁵² He added that a strategy would need to be specific to the uplands but take account of the variation between upland areas, saying that "There are national issues relating to uplands, but there also needs to be flexibility in accepting in detail that these areas differ".⁵³

26. The NFU's written evidence expressed doubts that the Government had the resources available to develop and implement a strategy, which may also fall foul of "inter-departmental conflicts". Rather than a strategy the NFU supported "short term actions

47 Ev 83

48 Ev 83

49 Ev 61

50 *High ground, high potential*, p 11

51 *High ground, high potential*, p 108

52 Q 140

53 Q 140

required to address immediate challenges faced in the uplands”.⁵⁴ In oral evidence Dr Clark was more forthright:

Our view is that we really do not need another strategy. We have stacks of strategies already out there. We look forward to the work that Defra are doing, but we hope that it will be a confidence-building coherent policy statement—period. Let’s get on with some action after that. The last thing we need is another consultation period, a pseudo-White Paper, steering groups and that sort of thing. We need confidence building so we feel there is genuine commitment to look at upland areas in a coherent way and see food production as part of the recipe for those upland areas.⁵⁵

Dr Stone, Chief Executive, Exmoor National Park, shared the NFU’s doubts about an uplands strategy:

We have all seen lots of strategies, but we want a very clear statement from Government that the uplands are on the radar and that ministers are interested in seeing how uplands and upland communities are thriving. [...] I would add something along the lines of ensuring that you monitor the state of the uplands from all three aspects—economy, environment and community—and that when policy is developed it does so against the particular barriers to engagement in the uplands.⁵⁶

He added:

There may be challenges in particular areas because of the nature of their rurality. I do not think we can say there should just be some upland policies separate from rural ones; there is a whole spectrum of issues and challenges.⁵⁷

27. The TFA supported the CRC’s recommendation for a comprehensive and integrated strategy for England’s uplands. Its written evidence states that:

There are many agencies, public bodies and other organisations with an interest in the uplands each of which emphasise particular aspects of the uplands without seeing the whole picture. A more integrated approach could deal more effectively with competing demands and create a more sustainable basis for the way ahead.⁵⁸

Similarly, the CLA’s evidence stated that “a cross government upland strategy must be developed”.⁵⁹ William Worsley, President of the CLA, told us that Defra should “agree a strategy and then get on with implementing it. [...] Effectively, the work has been done by the CRC and we want to get on with it.”⁶⁰

28. The Minister of State confirmed that Defra would be producing a “statement of intent” on the uplands in Spring 2011. He seemed to share the NFU’s doubts about the word

54 Ev 63

55 Q 113

56 Q 138

57 Q 139

58 Ev 53

59 Ev 58

60 Q 113

“strategy”, and anticipated that the document would set out a national perspective that allowed for local flexibility.⁶¹ It would, he told us, contain “serious action points that we can deliver on.”⁶²

29. Mindful of our witnesses strictures that it is time to “get on with it”, the Government should set out an uplands action plan; setting out its policy objectives, the specific action to be taken to achieve them, by whom, the timescales for implementation and the scale and source of the resources available. The action plan should address the breadth of issues considered in *High ground, high potential*, allow for flexibility of approach to reflect the variation between upland areas and encompass action to be taken by each Government department.

Leadership

30. In *High ground, high potential*, the CRC identified the need to provide “...visible leadership at a national level to drive genuinely integrated activity across all of the government departments that have a role to play”⁶³ The CRC therefore recommended that:

The Government should appoint an individual with lead responsibility for developing and ensuring effective implementation of the new uplands strategy. This individual should be accountable to Ministers of BIS, CLG, DECC and DEFRA.⁶⁴

The TFA has expressed concern that following the abolition of the CRC “...there will not be a sufficient advocate for the uplands”. The Association said that “it is vital that someone or some agency is given responsibility to take this work [the CRC’s recommendations] forward.”⁶⁵ Professor Shucksmith told us that the CRC was not calling for a ‘rural tsar’, but rather that “...somebody should have responsibility in Government [...] somebody who [...] probably would be a Minister—somebody who would have responsibility”.⁶⁶ Dr Burgess told us that he would wish that leadership role taken on by “...somebody right at the top level of Government, in the Cabinet Office, for example”.⁶⁷

31. William Worsley, President of the CLA, suggested that a Minister should have specific responsibility for the uplands, “as somebody to champion and co-ordinate” among government departments and agencies.⁶⁸ The NFU, however, suggested that “the diversity of the English uplands and the range of communities present means a single champion model is unlikely to be appropriate.”⁶⁹ Rather the NFU proposes “an uplands panel drawn from business and social communities across England with a sponsoring Minister”;

61 Qq 178–179

62 Qq 169, 178–179

63 *High ground, high potential*, p 11

64 *High ground, high potential*, p 11

65 Ev 53

66 Q 21

67 Q 21

68 Q 101

69 Ev 63

arguing that “Such a forum would draw on a wider breadth of knowledge, indicate the seriousness of uplands issues, and would be more adept at dealing with any conflicts that arise given the multiple needs of uplands communities.”⁷⁰ While not committing himself, the Minister of State said that he would consider such an approach.⁷¹

32. Our witnesses agreed on the need for a Minister to have responsibility for the uplands. In oral evidence, the Commission for Rural Communities suggested that such a Minister might reside in the Cabinet Office, which has a co-ordinating role across Government. A Minister responsible for the uplands should be immersed in rural and agricultural matters and prepared to take on other Government departments in pursuit of the best outcome for the uplands. There is a risk that a Minister based in the Cabinet Office would be too remote from policy making in Defra to fulfil this role effectively. **If Defra’s uplands strategy is to be successful it is imperative that the department have sufficient influence across Whitehall to ensure that the Government as a whole recognise the importance of the uplands and hill farming. We recommend that a Defra Minister is given cross-cutting responsibilities for the uplands. That Minister should establish an effective advisory panel to provide a breadth of expertise to challenge policy proposals and confront inertia within Government.**

70 Ev 63

71 Q 181

4 Future funding for upland farming

33. Farming in the uplands can be a precarious profession. The 2009–10 Farm Business Survey states that for LFA grazing livestock the average net farm income was £15,600 and average farm business income (in essence the same as Net Profit) was £22,200, compared to £31,500 and £43,300 respectively for all farms.⁷² The CRC’s November 2010 report *Poverty amongst farming households: Achieving sustainable livelihoods* noted that “...LFA grazing livestock farms had the lowest average household income (£27,500)” compared to a mean farm household income over £50,000. As an example of the economic plight of upland farms, the *Poverty amongst farming households* report stated that:

In 2006 Farm Business Income from agriculture alone demonstrated that Peak District farms made a loss of £14,843. It was in fact income from agri-environment schemes, the Single Farm Payment and diversification that raised their total [Farm Business Income] to £11,167”.⁷³

The decline in the viability of hill farming is due to a range of factors—much of our evidence identified the introduction of the Single Payment Scheme as a principal cause, while falling prices for livestock, higher input costs and currency fluctuations were also referred to.⁷⁴

34. Defra argued that while hill farmers tend to enjoy a lower income than lowland farmers the principal issue relates to the economics of grazing livestock farming rather than to upland farming. The department’s memorandum illustrates the similar levels of income for grazing livestock farms in the lowlands and the uplands.⁷⁵ Defra does acknowledge that “...without support from the Single Payment Scheme (and the former Hill Farm Allowance), many upland farmers would, at current (or recent) input and output prices be making a loss on average on their farm business activities”.⁷⁶ That additional support is provided to hill farmers to compensate for the particular difficulties associated with farming in those areas. Defra therefore appears to be arguing that although livestock grazing in the uplands generates a lower income than lowland livestock grazing, the fact that hill farmers are compensated for that lower income means that the principal issue relates to grazing livestock rather than doing so in the uplands. The Farm Business Survey 2008–09 found that LFA Grazing Livestock farms had the lowest average household income (£27,500). These household income figures include income from diversification and off-farm activities.⁷⁷ One of the difficulties for hill farmers is that there are fewer opportunities to diversify or seek off-farm income.

72 HC Deb, 30 November 2010, col 693W

73 *Poverty amongst farming households: Achieving sustainable livelihoods*, Commission for Rural Communities, November 2010

74 Evs w5, w8, w14

75 Ev 74

76 Ev 75

77 *Farm Household Income and Household Composition: Results from the Farm Business Survey: England 2008/09*, July 2010, Defra and National Statistics

35. Will Cockbain, uplands spokesman for the NFU, explained that hill farmers are restricted in their business choices due to the limitations of climate and environment. He added that as hill farmers were at the end of the livestock production chain they were “very vulnerable” to price fluctuations and had nowhere to pass on any increases in their costs.⁷⁸ Upland farms are also relatively poorly supported by the Single Payment Scheme, under which the per hectare payment rate broadly reflects the old production-linked subsidy level.

36. The Minister told us that hill farmers deserved extra support because of the additional challenges of farming in the uplands, but added that any additional funding would have to come from existing resources.⁷⁹ He explained that there were obstacles to providing additional funds through environmental stewardship schemes and therefore they would have to “...come out of the Rural Development Programme money and, yes, that means something else will be cut”.⁸⁰ Sources of additional income for hill farmers fall principally into three categories: farming activities; diversification (such as tourism); and developing additional land-based sources of income (such as carbon storage). While acknowledging that grazing livestock farming is currently almost always economically unviable without public payments, Defra argued that the upland environment provides farmers with business opportunities both through diversification into tourism and the development of markets for public goods.⁸¹ In this context public goods means mainly environmental and landscape benefits that farmers provide and that the public value; but for which traditionally there has been no market mechanism through which farmers can generate an income.

37. William Worsley, President of the CLA told us that in the uplands, while other business opportunities may exist in certain areas, livestock farming was the “bedrock”.⁸² Similarly, Mr Cockbain told us that “You have to recognise that it is profitable farming that is the start and everything else is on the back of that.”⁸³

38. Farming should be the primary activity of hill farms. The Government’s forthcoming uplands strategy must address how, as the first priority, farming activities can be enhanced and made more efficient to increase hill farm incomes. We accept that farming will not necessarily provide sufficient income for some hill farms to continue. The Government’s uplands strategy should therefore consider the barriers to diversification and new markets and how best to enable farmers in the uplands to exploit those business opportunities.

Single Payment Scheme

39. In 2005 the UK introduced the Single Payment Scheme (SPS)—the main source of EU subsidy for UK farmers. Under the scheme the previous production-linked payments were

78 Q 102

79 Qq 170–171

80 Q 171

81 Ev 81

82 Q 102

83 Q 103

replaced by the Single Farm Payment (SFA), which is based, in England, on the area of farmland. The SPS therefore ‘decouples’ payments from production. Payments under the SPS require a farmer to ‘cross-comply’—a requirement to keep land in good agricultural and environmental condition and to meet certain environmental and animal health and welfare standards. Decoupling payments from production was intended to encourage farmers to make farming choices driven by market conditions rather than simply to qualify for production-based payments.

40. Many of our witnesses identified the introduction of the Single Payment Scheme as a turning point for hill farming. The South West Uplands Federation considered that the introduction of the SPS removed “the incentive to farm the moorland”.⁸⁴ Dartmoor National Park Authority echoed that view, quoting research by the University of Exeter and Duchy College in 2008 that identified the Single Payment Scheme as the main cause of decline in economic viability of hill farms in South West England.⁸⁵ These views are supported by data that indicates that prior to 2005, when the SPS was introduced, LFA grazing livestock farms had higher farm business incomes than lowland grazing livestock farms.⁸⁶

41. The TFA argued that the SPS had led to the reduction in livestock numbers in the uplands and in particular the loss of suckler cows.⁸⁷ The Association explained that:

The Suckler Cow Premium and Ewe Premium (and their LFA supplements) provided an essential base line level of support to cattle and sheep breeders in hill areas. The rationale for removing them was that the breeder should look to the market place for his return. However, the reality of the situation is that no extra return has been gleaned from the market place following the removal of the breeding premiums which has led to the contraction of cattle and sheep numbers in the hills which has in turn led to inevitable implications for the natural environment including the incursion of bracken and other evidences of under grazing.⁸⁸

42. The Association advocates a return to direct payments linked to production based on the numbers of livestock, known as headage payments, for suckler cows and ewes, with appropriate environmental criteria.⁸⁹ Mr Dunn argued that such payments could deliver agri-environment outcomes where loss of livestock had led to environmental degradation.⁹⁰ He told us:

84 Ev w5

85 Ev w8

86 See *Agriculture in the United Kingdom 2005*; Department for Environment, Food and Rural Affairs, Scottish Executive Environment and Rural Affairs Department, Department of Agriculture and Rural Development (Northern Ireland), Welsh Assembly Government, The Department for Environment, Planning and Countryside. Farm Household Income and Household Composition Results from The Farm Business Survey: England 2005/06, Defra and National Statistics. Farm Household Income and Household Composition Results from The Farm Business Survey: England 2006/07, Defra and National Statistics. Farm Household Income and Household Composition Results from The Farm Business Survey: England 2007/08, Defra and National Statistics.

87 Ev 54, Q 76

88 Ev 54

89 Qq 76, 78, 82

90 Qq 82, 86

First, we want direct income support because of the profitability of farming in the uplands, but, secondly, we want that direct income support to do other things for you in terms of environmental management. It is only when you have profitable businesses that they can then invest in walls, watercourses and everything else that you want to do in that area. Rather than have a very prescriptive approach we need an outcome-based approach that you can tailor to each individual circumstance.⁹¹

In contrast, Peter Barfoot, Head of Conservation at North York Moors National Park rejected any return to headage payments and asserted that “...there is no doubt that the availability of uncapped headage payments resulted in environmental damage in the uplands”.⁹²

43. The European Commission’s communication setting out proposals for Common Agricultural Policy (CAP) reform in 2013 noted that:

In order to take account of specific problems in certain regions where particular types of farming are considered particularly important for economic and/or social reasons, voluntary coupled support, may continue to be granted, within clearly defined limits (with support based on fixed areas, yields or number of heads).⁹³

There is some flexibility in the CAP for Member States to allocate money to particular sectors. About 15 of the 27 countries in the EU implement either directly production-coupled payments for cows and ewes, or extra support for sheep and cows under ‘Article 68’. Article 68 allows countries to divert up to 10% of their national funding to support for ‘vulnerable sectors’, this would considerably outstrip the current sum that the England spends on Uplands Entry Level Stewardship. In July 2010, the UK was the only country not to use any form of Article 68 measure.

44. Successive Governments have resisted a return to headage payments because of the potential environmental impact of overgrazing that can occur when farmers increase livestock numbers to maximise their subsidy payments. Another principal reason for the Government’s opposition to headage payments is that they consider them market distorting. Defra’s evidence to our inquiry into CAP reform expressed reservations about the Commission’s proposals to retain voluntary coupling:

Defra is concerned the Commission’s proposals do not tackle the remaining distortions in the single market. In particular, by mentioning voluntary coupled support under Pillar 1 “to take account of specific problems in certain regions”, the Commission indicates no plans to complete the decoupling begun in 2003. This [...] needs careful scrutiny (although the Communication does state this has to be within clearly defined limits). This type of payment is particularly damaging to competition

91 Q 86

92 Q 141

93 In Option 2 of the European Commission’s proposals for CAP reform it states that: “In order to take account of specific problems in certain regions where particular types of farming are considered particularly important for economic and/or social reasons, voluntary coupled support, may continue to be granted, within clearly defined limits (with support based on fixed areas, yields or number of heads.” *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: The CAP towards 2020: Meeting the food, natural resources and territorial challenges of the future*, Brussels, COM(2010) 672/5, November 2010

and with Article 68 payments running at some €800m, this is an issue which we expected the Commission to tackle.⁹⁴

In oral evidence the Minister of State confirmed that the Government remains opposed to a return to production coupled payments and he did not want “to turn the clock back”.⁹⁵

45. However, there are arguments in favour of the approach. In *The Road Ahead For Scotland: Final Report of the Inquiry Into Future Support For Agriculture*, commissioned by the Scottish Executive, Brian Pack, recommended the re-introduction of headage payments in LFA areas in Scotland to support vulnerable parts of the farming industry.⁹⁶ The Pack Inquiry supported the European Commission’s Option 2, under which, in certain situations, coupled payments would be justified.⁹⁷ The final report argued that in respect of Scotland:

The primary aim of the coupled payments in the LFA would be to stabilise cow and ewe numbers on marginal land thereby securing the basis for delivering public goods, recognising the challenges of maintaining livestock production on this land and avoiding the risk of land abandonment. It is considered essential that headage payments do not encourage the keeping of breeding stock solely to collect the subsidy cheque as happened pre-decoupling, particularly with ewes. It would be essential that the total budget for each type of coupled support was set at the outset.⁹⁸

46. The Tenant Farmers Association advocate a return to headage payments. Successive governments have resisted such a move. We are not convinced by the Government’s arguments for dismissing this option. We recommend that the Government look again at the arguments for and against headage payments and explain the evidence base and grounds for opposing this method of supporting hill farmers in limited and specific circumstances. We recommend that it set out under what conditions it would consider supporting a re-introduction of headage payments.

Stocking rates

47. The upland environment can be highly sensitive to the density of grazing livestock, with both too many and too few grazing animals leading to environmental damage. The CRC’s report states: “opinions about the benefits or otherwise of destocking vary widely, with environmental scientists seeing it as a necessary step to protect biodiversity and hill farmers expressing concerns that it can do more harm than good.”⁹⁹ The CRC recommended that:

94 This can be found at <http://www.parliament.uk/efracom/publications>

95 Q 175

96 *The Road Ahead For Scotland: Final Report of the Inquiry Into Future Support For Agriculture In Scotland*, Brian Pack OBE

97 See Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: The CAP towards 2020: Meeting the food, natural resources and territorial challenges of the future, Brussels, COM(2010) 672/5, November 2010; Q193

98 *The Road Ahead For Scotland: Final Report of the Inquiry Into Future Support For Agriculture In Scotland*, Brian Pack OBE, p 77

99 *High ground, high potential*, p 93

Decisions on stocking rates should be made locally to reflect the distinctive needs of each place, local climate and the balance of public goods appropriate for particular areas. We are recommending a rapid review of the policy and its effects—informed by whatever monitoring evidence and scientific evidence is now available—to understand more about what is happening on the ground.¹⁰⁰

48. The Federation of Cumbria Commoners “wholeheartedly agree” that stocking rates should be decided locally. The Federation’s memorandum states that “Current stocking rates as prescribed in the schemes are reducing our ability to actively manage the commons. As a result we believe that the majority of commons are now undergrazed while some remain overgrazed.” Similarly, the South West Upland Federation notes the lack of local flexibility, stating that “Attempts to impose grazing regimes, designed for the northern hills, have reduced stock numbers to an unsustainable level and damaged those unique farming techniques”.¹⁰¹

49. The Campaign to Protect of Rural England (CPRE) sounded a note of caution. While accepting that upland farmers would be keen to “capitalise on any rise in prices for their produce”, the CPRE warned that that “should not lead to restocking at levels that means the re-emergence of overgrazing”.¹⁰² The Minister of State argued that “some areas of the uplands have been overgrazed and have suffered in the past. There is now increasing evidence that some areas are being undergrazed”.¹⁰³ He told us that he would wish to see greater local flexibility in agri-environment schemes, “so that schemes can be devised that are more appropriate for the local area”.¹⁰⁴

50. The CRC did refer to the need to make use of monitoring and scientific evidence when making stocking rate decisions, but it did not provide more detail on the process or who would take the decision. The Minister said he was working towards “...an approach whereby local NGOs, working with the conservation bodies [...] working with the local farmers or commoners, [...] and of course Natural England [...] will come to an agreement about the appropriate one for that area”.¹⁰⁵ He explained that agri-environment schemes should be moving from “prescription to outcome”.¹⁰⁶

51. We recommend that stocking rate decisions should be based on an agreed environmental outcome, for example achieving a set sward length rather than prescribing the number of livestock and the grazing season. Stocking rate decisions should be taken locally and involve local farmers.

100 *High ground, high potential*, p 16

101 Ev w1

102 Ev w27

103 Q 174

104 Q 178

105 Q 194

106 Q 194

Uplands Entry Level Stewardship Scheme (UELS)

52. Since 1 July 2010, hill farming has been fully integrated into the Environmental Stewardship part of the Common Agricultural Policy (CAP), with the introduction of the Uplands Entry Level Stewardship (UELS) scheme. Under the scheme, upland farmers are paid a higher single farm payment in return for “maintaining and improving the biodiversity, natural resources, landscape and historical value of England’s uplands, and to contribute to climate change mitigation and adaptation, by supporting the land management practices which deliver these benefits.”¹⁰⁷ According to Defra “Farmers’ interest in Uplands ELS has been growing rapidly in recent months with more than 3,000 hill farmers and land managers having applied for the scheme, accounting for more than 500,000 ha of the uplands”.¹⁰⁸ However, the TFA told us that, according to Natural England, there are about 9,000 potential applicants which suggests “a little less than two-thirds would appear to be outside the scheme”.¹⁰⁹

53. The TFA identified the move from the hill livestock compensatory allowance (HLCA) to the hill farm allowance (HFA) and the subsequent move from the HFA to the UELS as having badly affected hill farming.¹¹⁰ The Association stated that 70% to 80% of farmers who had previously received HFA have not been able to get into UELS and that they had suffered a significant loss of income as a result. The Association argued that tenant farmers were vulnerable to exclusion from the UELS due to the terms of tenancy agreements or to landlords claiming the payments directly.¹¹¹ George Dunn, chief executive of the TFA, explained that the average tenancy agreement is for three and a half years duration, but for a tenant farmer to be accepted into the UELS they would need at least five years’ tenancy security, or the landlord’s agreement that the tenant enter the scheme, which was seldom forthcoming.¹¹² The TFA have put forward several proposals for correcting the situation, including modifications to the tax system to encourage longer-term tenancies. Mr Dunn explained that under the current European regulations it would be possible to direct payments to those in day-to-day management control of the land.¹¹³

54. The UELS was also identified as a problem for commoners. The Federation of Cumbria Commoners states that the UELS guidelines:

...do not set out clear eligibility criteria about who can join, deliver and gain reward from the scheme. This lack of definition lays the foundation for conflict between commoners (holders of rights to graze common land and often neighbours) as it allows for different interpretations of the roles and contributions of active graziers, non- graziers and land owners in delivering UELS.¹¹⁴

107 Ev 76

108 Ev 77

109 Q 74

110 Ev 54

111 Q 72

112 Q 72

113 Qq 72, 75

114 Ev w1

William Worsley, however, told us that the CLA was aware of “...one or two disputes, but we have no evidence that this is a problem of any scale [...] On the whole, this is agreed on a case-by-case basis between landlord and tenant and seems to work satisfactorily.”¹¹⁵ He told us that there was agreed guidance by the Tenancy Reform Industry Group (TRIG) for the resolution of disputes.¹¹⁶ Mr Cockbain, uplands spokesman for the NFU, agreed that there had not been many cases but cautioned that “... where we have such cases they could lead to dangerous precedents, put farmers off applying for agri-environmental schemes on commons and also attract very adverse publicity to the general public about how money is spent”.¹¹⁷ In relation to disputes between tenants and landowners, the Minister confirmed that it had been discussed in the Tenancy Reform Industry Group. He said that “emotionally” he agreed that landlords should not unreasonably prevent tenants entering environmental stewardship schemes.¹¹⁸ However, he said:

I don’t think Government should be heavy-handed and go in and start interfering in that commercial relationship. I don’t think it’s the job of Government to set, to create or to intervene with a mediation approach.¹¹⁹

55. *High ground, high potential* was published as the UELS was being introduced. The report comments: “Although the scheme’s intentions appear to be valid, it remains to be seen whether or not it brings the desired benefits, and we consider that a review by 2012 will help to ensure that it is achieving an appropriate outcome”.¹²⁰ The NFU points to the importance of “specific research on who receives UELS payments” given the “higher proportion of tenants in the uplands, use of common land and short term grazing lets”, which can lead to “the land owner rather than the active farmer [benefitting] from the support mechanism”.¹²¹ The NFU has therefore called for “...a prompt and continuing review of the uptake and beneficiaries of the Upland ELS scheme.”¹²² The department acknowledges that the UELS has been criticised, particularly by tenant farmers and commoners and state that it will be monitoring uptake by tenant farmers as part of the overall monitoring programme for Uplands ELS.¹²³ **We recommend that the Uplands Entry Level Stewardship be reviewed before the end of this year. The review should consider the challenges faced by tenants and commoners in accessing the scheme. If the review finds that they are so disadvantaged, we recommend that Defra bring forward proposals to remove the barriers to accessing the schemes, to include a mediation or dispute resolution mechanism accessible to land owners, tenants and commoners.**

115 Q 126

116 Q 126

117 Q 127

118 Q 190

119 Q 190

120 *High ground, high potential*, p 93

121 Ev 64

122 Ev 64

123 Ev 77

Common Agricultural Policy reform

56. The CRC published *High ground, high potential* before the European Commission set out its proposals for CAP reform in 2013.¹²⁴ In its report the CRC identified two main requirements of this round of reform. First, farmers and landowners should be rewarded for “...the valuable, varied and wide ranging public goods generated...” in the uplands; and second, the current limited basis for payments for public goods should be revised to reflect the cost to the farmer of staying in business.¹²⁵ Professor Shucksmith added that he would wish to see a reduction in the administrative burden for farmers and greater support for upland communities through more rural development funding.¹²⁶

57. Under current CAP rules, environmental scheme payments to farmers are limited to the extra costs incurred in complying with the schemes requirements—known as ‘income foregone’. The current method of calculating income foregone is therefore limited to the agricultural income the farmer would otherwise have received from producing agricultural goods rather than environmental goods.¹²⁷ The National Trust stated that: “Current funding mechanisms based on income foregone and calculated according to averaged loss of agricultural productivity do not reflect the actual costs or benefits achieved through land management changes or incentivise and reward positive change”.¹²⁸ Similarly, the NFU argued that ‘income foregone’ was a “crude measure of public value”; and added that:

In many situations (not just the uplands) farmers’ agri-environment measures yield multiple benefits for which payment is calculated only on the theoretical foregone production. The complex methodology involved does not promote innovation in environmental delivery and performance. A different approach is required to enable agri-environmental payments to offer real and consistent incentives to farmers and to take account of the benefits delivered rather than the income foregone.¹²⁹

Dr Clark confirmed that a revised approach to income forgone should apply to all agri-environment schemes.¹³⁰ He said

In terms of income forgone, we have been quite critical of it for a long time because it sends the message to the farming communities that, no matter what they do and what the benefits are, they will be paid only to put them back to where they would have been had they not participated in the agreement. In those terms it is a very strange incentive regime. We think that a better approach, which would still be within the WTO rules, would be to take greater account of opportunity costs of

124 *The CAP towards 2020: Meeting the food, natural resources and territorial challenges of the future*, The European Commission, 18 November 2010

125 *High ground, high potential* pp 15, 86, Q 49

126 Qq 52, 49

127 See WTO agreement on agriculture, annex 2, paras 12 and 13 at http://www.wto.org/english/docs_e/legal_e/14-ag_02_e.htm

128 Ev w12

129 Ev 64

130 Q 130

participating in an agreement. You look not just at the costs of management and some of the fixed costs; you look at what farmers might otherwise have been doing.¹³¹

58. In *High ground, high potential*, the CRC recommended that “Defra should broaden its concept of ‘income foregone’ to include the full costs of the farmer staying in business, in line with some other EU countries”.¹³² Many hill farmers make a loss on their agricultural activity, as the CRC’s *Poverty amongst farming households* report showed. For farms in that situation any calculation of income foregone based on loss of agricultural productivity would therefore not produce a sufficient level of income for the farm to be viable. The Minister seemed to be sympathetic to these arguments. He noted that the “fundamental point” was that “the economics of upland farming are pretty thin anyway, the income foregone tends to be very thin”.¹³³

59. The Minister believed that if we genuinely value public goods, “...then personally I don’t have a problem with the farmers being able to make a margin out of that, just as much as any other activity.”¹³⁴ However, he suggested it would be difficult to find additional funding through changes to the concept of ‘income foregone’, not least because of the restrictions imposed by EU rules, but also because of the complexity of the method of calculating the payments.¹³⁵ Support for farmers for environmental programmes is further complicated by World Trade Organisation (WTO) ‘Green Box’ rules that require payments to be ‘decoupled’ from current production levels. The WTO restrictions limit the extent to which farmers could be compensated for loss of income.¹³⁶ The Minister told us that he intended to revisit the relative allocations of Rural Development Programme for England (RDPE) funding under the three axes to enhance funding for competitiveness.¹³⁷ The argument that the current rules for calculating income foregone result in too low a payment for hill farmers has some merit. However, extending the definition to include the full costs of running the farm, or applying the rules to all agri-environment schemes is not feasible.

131 Q 129

132 *High ground, high potential*, page 15

133 Qq 171–172

134 Qq 172–173

135 Qq 171–172

136 See WTO agreement on agriculture, annex 2, paras 12 and 13 at http://www.wto.org/english/docs_e/legal_e/14-ag_02_e.htm

12. The Payments under environmental programmes

(a) Eligibility for such payments shall be determined as part of a clearly-defined government environmental or conservation programme and be dependent on the fulfilment of specific conditions under the government programme, including conditions related to production methods or inputs.

(b) The amount of payment shall be limited to the extra costs or loss of income involved in complying with the government programme.

13. Payments under regional assistance programmes

(a) Eligibility for such payments shall be limited to producers in disadvantaged regions. Each such region must be a clearly designated contiguous geographical area with a definable economic and administrative identity, considered as disadvantaged on the basis of neutral and objective criteria clearly spelt out in law or regulation and indicating that the region's difficulties arise out of more than temporary circumstances.

(b) The amount of such payments in any given year shall not be related to, or based on, the type or volume of production (including livestock units) undertaken by the producer in any year after the base period other than to reduce that production.

137 Q 211

60. The current rules for calculating ‘income foregone’ provide insufficient compensation for uplands farmers and discourage more from joining agri-environment schemes. We recommend that Defra set out how the definition of ‘income foregone’ can be extended for farmers in Less Favoured Areas only to reflect the costs of running the farm. One of Defra’s aims for the current round of CAP reform should be a more transparent system of paying farmers for the benefits being delivered through agri-environment schemes.

Alternative sources of income

61. Defra acknowledge that without support from the Single Farm Payment many upland farmers would struggle to maintain a viable business. Rather than subsidising production, the department advocates funding farmers for the provision of public benefits, such as: provision of clean water; carbon sequestration; access to land for recreation and tourism; preservation of biodiversity; and maintenance of cultural heritage. The Minister told us:

We have to look at the public benefits in terms of the water retention in the uplands, the carbon sink that is in the peat bogs, obviously the flora and fauna of the uplands—all those things. Indeed, the water retention feeds through to reducing flooding risks further downstream. I think we probably need to do more to put better values on those public benefits, as the means of channelling more funding in.¹³⁸

Defra also notes that that the uplands are “prized natural assets and a favourite tourism destination”; thereby providing a business opportunity for hill farmers.¹³⁹

62. While the uplands may possess the natural environments that make these opportunities possible, hill farmers may be constrained in their ability to extend their businesses. The department noted that diversification opportunities are often more limited in the uplands due to the sparse population and, for a number of areas, longer distances to large population centres. The CRC’s 2010 *Poverty amongst farming households* report noted that for tenant farmers it is often difficult to access capital as they do not own sufficient collateral and tenancy agreements can be a barrier to some kinds of diversification activity.

63. Like Defra, the CRC advocate hill farmers seek new sources of income from the provision of public goods. In *High ground, high potential* the CRC conclude that:

Current funding mechanisms will not unlock the potential of the uplands and as part of the CAP reform in 2013 and 2020, Defra and its agencies (and the EU) should develop a new approach to rewarding farmers for managing national assets in harmony with developing businesses and market enterprises.¹⁴⁰

The NFU supported this concept:

Combining a more profitable income from farming with other revenue sources is key to farming’s viability. As yet, the markets for public goods are nascent;

138 Q 174

139 Ev 81

140 *High ground, high potential*, p 15

nonetheless payments for ecosystem services represent an opportunity...However, viable mechanisms must first be developed that are capable of gaining industry confidence.¹⁴¹

The CLA was also highly supportive of the development of new environmental markets:

Climate and water regulation are two areas that offer the greatest prospect of encouraging private finance into upland areas and would help to reduce the dependence on public supports.¹⁴²

64. However, the CRC also recognised that the transition from farming to providing public goods could be problematic:

Many farmers are finding the transition from being food producers to stewards of the land and deliverers of public goods difficult. They understand farming in terms of production and experience considerable stress and low self-esteem when confronted with the prospect of being, as some see it, reduced to “park keepers”¹⁴³

The CRC was particularly enthusiastic about the opportunities that might flow from developing markets for water and carbon, although their report provided little detail of how such development would be achieved.¹⁴⁴

Carbon Markets

65. In the UK the mandatory, or compliance, carbon market is the European Union Emissions Trading Scheme (EU ETS). The EU ETS is a cap and trade scheme whereby companies are allocated a carbon allowance (a cap) and can either reduce their own carbon emissions, purchase allowances from elsewhere, or invest in emission reduction projects in developing countries.¹⁴⁵ The voluntary carbon market has developed independently of the compliance market. It enables companies, NGOs or individuals to ‘offset’ carbon emissions to generate ‘offset credits’. In an ‘offset’ scheme there is no overall cap on emissions; participants in the scheme can receive offset credits in return for making an investment in carbon emission reduction projects. Offset credits may contribute towards formal carbon reduction obligations, including cap and trade scheme obligations, or be part of voluntary schemes.¹⁴⁶

66. In *High ground, high potential* the CRC recommended that the Department for Energy and Climate Change work to “develop effective carbon markets and ensure that future reward for land carbon management comes through that market”.¹⁴⁷ Professor Buckwell, director of policy at the CLA, told us that uplands land managers could contribute to

¹⁴¹ Ev 63

¹⁴² Ev 59

¹⁴³ *High ground, high potential* p 93

¹⁴⁴ *High ground, high potential*, p 15, see Qq 47–48

¹⁴⁵ See The European Union Emissions Trading Scheme, A review by the National Audit Office, March 2009

¹⁴⁶ See Environmental Audit Committee, *Carbon budgets*, Third Report of Session 2009–10, HC 228-I, 11 January 2010.

¹⁴⁷ *High ground, high potential*, p 89

carbon storage through peat restoration, afforestation and agricultural practices.¹⁴⁸ The CRC emphasised the importance of peat in mitigating carbon loss and suggested that restoration of peat land for carbon storage could be the basis of a carbon market in the uplands.¹⁴⁹ In evidence the CRC remained enthusiastic about the potential financial benefits for hill farmers from a carbon market that rewarded restoration of peatland but provided little information on how such a system would operate.¹⁵⁰

67. Our evidence indicated an appetite for developing a carbon market.¹⁵¹ The Aberdeen Centre for Environmental Sustainability advocated removing policy barriers to enable a functioning carbon market to drive peatland restoration. They propose introducing a UK Peatland Carbon Code to the Greenhouse Gas Accounting Guidelines to take advantage of corporate social responsibility activity; creating a registry for peatland restoration projects to access voluntary carbon markets; or Defra integrating peatland restoration into existing agri-environmental schemes.¹⁵²

68. The NFU welcomed the CRC's recommendation but noted that a carbon market was likely to be volatile and that it would take some time before it would provide a "meaningful income source for farmers".¹⁵³ The CLA pointed out that there was a regulatory barrier to expanding the voluntary carbon offset market to include peatland restoration. The CLA explained that companies wishing to earn tradable offset credits (credits that could count towards compliance requirements) could not do so by investing in UK projects as such credits could only be earned from investment in projects in developing countries.¹⁵⁴ The CLA recommended that:

... if companies could finance carbon reduction projects in the UK without the need to take ownership of a tradable carbon credit they would be encouraged to invest in peatland restoration projects, if they were confident that they will deliver quantifiable greenhouse gas benefits. Such an approach would need to make clear that companies will not earn tradable carbon credits from their investment.¹⁵⁵

Professor Buckwell, director of policy at the CLA, thought it would take a decade or longer to establish a working carbon market that would benefit the uplands.¹⁵⁶ He added that it would require both technical advances and the political will to provide incentives for companies to purchase carbon storage.¹⁵⁷

69. Under the Climate Change Act 2008 the Government set legally binding ceilings on UK carbon emissions based on the UK's share of the EU's overall target to reduce

148 Q 118

149 *High ground, high potential*, p 57

150 Q 47

151 Evs w2, w3

152 Ev w25

153 Ev 64, Q 122

154 Ev 59

155 Ev 59

156 Q 119

157 Q 119

greenhouse gas emissions. The UK Low Carbon Transition Plan, published in July 2009, sets out carbon budgets for each sector of the UK economy. Each Government department is responsible for delivery of the carbon reduction emissions to meet its sectors' carbon budget. Agriculture is therefore within Defra's carbon budget. The UK Low Carbon Transition Plan puts an emphasis on farmers adopting "more climate friendly" processes, such as improving the effectiveness of fertiliser application.¹⁵⁸

70. The CRC recommended that the Government establish a functioning carbon market, but appeared to have little to add apart from their enthusiasm. A carbon market is unlikely to be established for some time and therefore Defra should concentrate on the short-term benefits to the uplands first. We do not anticipate carbon markets making a significant contribution to the uplands economy for some time. A functioning carbon market operating in the uplands is an important long term goal. We recommend the Department for Energy and Climate Change work with Defra to identify a mechanism by which the uplands could participate in a carbon market, what regulatory barriers need to be removed and what the likely return to farmers would be from participating in the market. This work should consider how peatland restoration could be incorporated into a carbon market.

71. Restoration of peat can contribute to increasing carbon storage as well as having wider environmental benefits. We recommend that Defra explore how peat restoration projects could contribute to Defra's carbon budget obligations.

Water Markets

72. In *High ground, high potential* the CRC recommended that

Defra and its agencies should use good practice (such as SCaMP and catchment sensitive farming) to develop models for public-private investment that secures multiple objectives in upland catchments, maintains water quality, reduces flood risk and potentially provides income for hill farmers and land managers.¹⁵⁹

The CRC went on to explain that the uplands not only provide a substantial proportion of the UK's clean drinking water, but can also have "an important role in mitigating the flood risk downstream."¹⁶⁰ Despite the complexity of upland hydrology,¹⁶¹ Professor Buckwell described the uplands as being able to provide public water storage, filtration and discolouration removal services.¹⁶² He said that there were examples of upland land managers being paid for these services.¹⁶³ The Minister also told us that currently "some water authorities are already working with farmers in their catchment areas to develop the

¹⁵⁸ *The UK Low Carbon Transition Plan: National strategy for climate and energy*, Department for Energy and Climate Change, 15 July 2009

¹⁵⁹ *High ground, high potential*, p 15

¹⁶⁰ *High ground, high potential*, p 56

¹⁶¹ Ev w30

¹⁶² Q 118

¹⁶³ Q 118

management of the uplands in a way that helps the water companies.¹⁶⁴ He described this approach as a “win-win situation” as both flood risk and pollution could be mitigated.¹⁶⁵

73. Defra provided us with details on a number of research projects commissioned by the department into barriers to developing this work.¹⁶⁶ The department also explained that it was considering “whether there are practical and unnecessary barriers to economically justifiable investment in upstream measures as part of the current review of Ofwat, and in developing policy for the Natural Environment White Paper and Water White Paper.”¹⁶⁷ However, the department noted that the economic regulator, Ofwat, will ultimately determine how such issues might be included in the price review process.¹⁶⁸

74. The Environment Agency is involved in several projects investigating the impact of land use change on flood risk management and water quality. For example the Agency is involved in the “slowing the flow” project in Pickering, North Yorkshire, led by Forest Research, which is investigating how land management can help to reduce the potential for flooding.¹⁶⁹ The Environment Agency and water companies are involved in a range of water management projects in the uplands. Hill farmers and upland land owners seem to be more likely to be able to benefit from water management schemes than from a nascent carbon market. Investment in water management schemes is also likely to provide financial returns more quickly than investment in carbon storage schemes.

75. There are a range of water management options that could provide an additional source of income for upland farmers. We recommend that Defra work with the water industry and the economic regulator, Ofwat, to encourage the development of water markets more widely in the uplands. We welcome the inclusion of developing water markets as part of the Ofwat review.

76. There are several examples of water companies working with upland land managers to improve water quality. We encourage the industry, supported by Ofwat, to explore greater use of the natural environment, particularly in the uplands, to improve water quality.

77. We recommend that Defra work with the Environment Agency to identify ways to encourage local partners and land managers to work together on water sequestration schemes with the goal of reducing flood risk.

Tourism

78. The uplands are popular tourist destinations—English Heritage’s evidence referred to the “...concentration of environmental assets – both cultural and natural...” which gave the uplands their “distinctive character”.¹⁷⁰ The combination of those cultural and natural

164 Q 224

165 Q 224

166 Ev 85

167 Ev 86

168 Ev 86

169 Ev w31

170 Ev w16

assets attract visitors to the uplands. And as the Minister told us “...the very beauty of the uplands, which attracts the tourism [...] which is of greater economic value to the uplands than farming is, is there because of farmers”.¹⁷¹ However, hill farmers get relatively little benefit from tourism.¹⁷² According to the Uplands Farm Practice Survey “... a quarter of upland farms had an on-farm diversified enterprise such as a farm shop or Bed & Breakfast. The survey highlighted that over half of upland farmers with no current diversified activity felt there was either no scope or they had no plans to diversify”.¹⁷³

79. Tourism makes a substantial contribution to the uplands economy. Each year the 40 million people who visit the seven upland National Parks spend an estimated £1.78 billion.¹⁷⁴ The National Farmers’ Union argued for a mechanism to generate more income from public access to uplands landscapes, noting that less than 30% of visits to the natural environment involve any expenditure.¹⁷⁵ The English National Park Authorities Association told us that several National Parks have voluntary visitor contribution schemes. Dr Stone, Chief Executive, Exmoor National Park, told us that probably the largest such scheme was in the Lake District where it generated around £100,000 a year; but he did not consider such schemes would replace other sources of funding.¹⁷⁶ Under the Lake District scheme, called Nurture Lakeland, tourism related businesses, such as guest houses and hotels, pledge to raise money for conservation projects in the Lake District. Money can be raised a number of ways, including a small additional sum being added to bills, which the customer may ‘opt out’ of paying.¹⁷⁷

80. The Minister appeared to think that tourism could bring more money into the uplands but he said that it was an issue for the Department of Culture Media and Sport and the tourism industry.¹⁷⁸ It is disappointing that the Minister was not more enthusiastic about the opportunities tourism may provide for upland farmers. It could be argued that visitors to upland areas are predominantly drawn to those areas by the natural landscape—a landscape that farmers are largely responsible for maintaining. From the evidence that we have seen it is unlikely that voluntary contribution schemes would generate significant funds, and it is not clear how farmers would benefit directly from any income from such schemes. **Tourism has the potential to be an additional source of income for upland farmers. Defra’s upland strategy should set out how the Government will support farmers seeking to diversify into business activities that serve those tourists.**

81. **Some National Parks contract farmers to carry out specific activities to manage the land, such as maintaining paths and walls. We recommend Defra seek further ways that farmers can generate additional income, for example by being contracted to assist in clearing snow during bad weather.**

171 Q 234

172 Ev 71

173 Ev 75

174 *High ground, high potential*, p 59; Ev 71

175 Ev 63

176 Q 162

177 Ev 90

178 Q 235

Future development

82. In *High ground, high potential* the CRC makes recommendations about research and development and improving agricultural skills.¹⁷⁹ The report recommends action to facilitate greater knowledge transfer, promote apprenticeships and training, and develop demonstration farms. In response to the CRC's recommendations, the NFU state that:

To support skills development, a long-term and collaborative plan for research and knowledge transfer is vital. Including colleges and demonstration farms as part of this collective resource is sensible.¹⁸⁰

83. The AHDB explained that “knowledge transfer of existing and new ideas should be tailored to the needs and systems of upland producers”, but that hill farmers also benefitted from “access to expertise, materials and scale from a nationally coordinated programme”.¹⁸¹ The AHDB added:

Whilst ‘Demonstration Farms’ have their uses, delivery of activity should not be focused on these alone. Demonstration farms should be used to show the challenges and benefits of practical adoption of new ideas, but these messages need to be rolled out wider and delivered locally across the region, which should involve local farm events where a specific element of best practice can be shown.¹⁸²

84. Mr Dunn, chief executive of the TFA, considered Government had a role in encouraging new entrants and improving training.¹⁸³ Defra's written evidence makes the point that “Upland farmers will need to have strong business skills and entrepreneurial outlooks. They will need to constantly seek greater efficiencies, cut costs and maximise the income from their livestock enterprises”.¹⁸⁴ The department's memorandum goes on to list actions that some upland farmers have already taken to increase their efficiency. The list includes business management, agricultural innovations and diversification. The implication is that these sorts of actions could be taken by a greater proportion of hill farmers.¹⁸⁵ The Minister considered it “hugely important” to have the right skills and qualifications to work in farming and confirmed that “Defra does have a big role in that”.¹⁸⁶ He referred to the Agri-Skills project and, in the context of the uplands, the Moor Skills project.¹⁸⁷

85. Improved extension services and demonstration farms, where appropriate, need to be part of the mix of approaches that will need to be deployed to improve the competitiveness of uplands farmers. We recommend that Defra include specific

179 *High ground, high potential*, p 16

180 Ev 65

181 Ev w26

182 Ev w26

183 Q 90

184 Ev 81

185 Ev 81

186 Q 164

187 Q 164

reference in its uplands strategy action plan as to how it will support improving agricultural, business and management skills and schemes that enable diversification.

86. The long term future of hill farming depends not only on existing farmers having the right skills and technology, but also on young people deciding to take up farming. Succession, the progression from one farming generation to the next, has been a concern for several years as the average age of farmers has increased. The NFU state:

The marginal viability of uplands farms creates succession issues. Although 37% of upland farmers have succession secured, it is questionable for the majority. 21% of upland farms are not expected to continue beyond the next 5 years. We believe that financial uncertainty is critical to determining family members' decisions to take on and invest in hill farms.¹⁸⁸

Succession has been a particular concern for tenant farmers. Mr Dunn told us that:

There are people sitting on three-generational tenancies who do not have a clue about how they go about the procedures for succession, despite the fact they are in prime positions to be able to succeed. There is a role to be played in ensuring that hill areas get access to that good advice and information. If Defra can assist in that, that will be great...¹⁸⁹

87. Previously a potential successor to a tenancy had to have earned his livelihood from agricultural work on the holding from 5 out of the last 7 years in order to meet the "livelihood test". This discouraged farm tenants from diversifying as it could jeopardise a successor's chances of succeeding to a tenancy if he was carrying out non-agricultural work. Defra has confirmed that "the amendment made by the Regulatory Reform (Agricultural Tenancies) (England and Wales) Order 2006 provides that income from diversified and off-farm activities can be taken into account in the "livelihood test", where the landlord has given consent for the diversification".¹⁹⁰ The removal of this technical hurdle to succession is to be welcomed.

88. However, there are more fundamental concerns, such as the absence of affordable rural housing, which discourage new entrants and children of farmers from committing to hill farming. **Succession is likely to remain problematic until the fundamental issues of low economic viability and high uncertainty of hill farming are addressed.**

Broadband

89. For several years the poor provision of broadband internet access and mobile telephone communications in many of the remote areas of the UK has been one of the key concerns of rural communities. The CRC made a series of recommendations in *High ground, high potential*, principally addressed to the Business, Innovations and Skills department. Several witnesses referred to the importance of improving internet access. AHDB noted that across the country farm household internet access was high, although there was limited use as a

188 Ev 62

189 Q 90

190 Ev 85

business tool or a source for new information. Tellingly, AHDB had found that “access and speed of broadband technology is acutely felt in remote rural areas”.¹⁹¹

90. Defra’s Business Plan includes a commitment to “...deliver universal broadband at speeds of 2mbps and stimulate private sector investment to deliver the best superfast broadband network in Europe by 2015”.¹⁹² The Minister told us that Richard Benyon, Parliamentary Under-Secretary for Natural Environment and Fisheries, who leads on rural issues in Defra, was working with the Department for Culture, Media and Sport on rural broadband.¹⁹³

91. As part of the Comprehensive Spending Review, the Government announced that super-fast broadband would be trialled in the Highlands, North Yorkshire, Cumbria and Herefordshire. The BBC will contribute £300m towards the £530m total cost of funding rural broadband. The remainder has been set aside from the surplus from digital switch-over funding. During our evidence session with the Secretary of State following the Comprehensive Spending Review, Caroline Spelman told us that “...increasingly farmers are encouraged or almost expected to provide their interaction online. A very important part of the spending review was a decision by DCMS to improve rural broadband provision, so in fact farmers can access that”.¹⁹⁴

92. The internet is a critical business tool. The efficiency of upland farming will be enhanced by the ability to reliably access information and transact business online. Defra should set out how and by when the super-fast broadband trial will be evaluated. Defra’s uplands strategy action plan should set out where and by when the super-fast broadband trial will be extended, and what resources have been identified to fund an extension of the trial.

191 Ev 27

192 Defra Business Plan—see <http://www.defra.gov.uk/corporate/about/what/documents/defra-businessplan-101108.pdf>

193 Q 183

194 Qq 86, 16, 11, 10 (HC 611-i)—see Uncorrected transcript of this evidence session at <http://www.parliament.uk/efracom/publications>

5 Upland communities

93. In *High ground, high potential* the CRC emphasised the importance of upland communities:

People are essential to the identity of the land and to its future. The landscape has been formed by centuries of human intervention and management and people remain essential to its future development.

During our Inquiry we found a strong culture of community cohesion. Many people are connected economically, socially and culturally to the land and to those who manage the land. This strong dynamic connection between land and communities is essential in realising the potential of the uplands.¹⁹⁵

The report goes on to describe the sorts of challenges facing upland communities, for example:

We heard concerns about an ageing population and the loss of young people. While this picture is characteristic of most rural areas, we were told of particular issues around the loss of those with the knowledge and understanding of the uplands.

A major factor affecting retention and attraction of young people and families is the cost of housing. In common with many other rural areas, high demand from incomers to areas of landscape beauty, coupled with low supply, relatively lower local wages and restrictive planning arrangements mean that little housing is available for young people and those on low wages.¹⁹⁶

94. Much of our evidence emphasised the inter-relatedness of hill farming, upland communities. The AHDB state that:

Upland livestock farms play a pivotal role in rural communities which exist in these regions, by way of their employment, contribution to the rural economy, its associated supply industry and use of local services, plus the social networking aspects of rural life through community events such as Agricultural shows, weekly livestock markets and regular Young Farmers activities.¹⁹⁷

Similarly, the Campaign for the Protection of Rural England stated that “...hill farming communities of England are an essential element of the social fabric of the uplands”.¹⁹⁸

Planning and housing

95. In *High ground, high potential* the CRC made a series of recommendations under the heading ‘Planning to enable sustainable upland communities’ directed to the Department

¹⁹⁵ *High ground, high potential*, p 7

¹⁹⁶ *High ground, high potential*, p 7

¹⁹⁷ Ev w26

¹⁹⁸ Ev w27

for Communities and Local Government.¹⁹⁹ The driving force behind those recommendations was the conviction that upland communities required more affordable housing and local engagement in planning matters. Several witnesses, including the NFU and National Trust, referred to concerns about the lack of affordable housing in upland communities.²⁰⁰ In oral evidence the CRC confirmed the importance of affordable housing but said that “people have given up on affordable housing in rural communities”.²⁰¹ The CRC also expressed concern that the spending cuts announced since the publication of their report could reduce the budget for creation of affordable housing in rural communities.²⁰²

96. The Minister acknowledged those concerns.²⁰³ He referred to the Home on the Farm initiative, which was announced in October 2010.²⁰⁴ Under the scheme farmers and local councils are encouraged “to work together to secure the conversion of redundant and underused farm buildings to deliver affordable homes for local people”.²⁰⁵ No central Government funding has been allocated to Home on the Farm—Defra state that “Local authorities may wish to offer incentives to farmers to carry out conversions to provide affordable homes for local people”.²⁰⁶

97. Defra has confirmed that “affordable homes provided through ‘Home on the Farm’ will be for households in the local community, which could include non-farm workers or retired farm-workers”.²⁰⁷ One advantage of the scheme could be to facilitate succession by allowing older farmers to retire on the farm. However, the Annex to Planning Policy Statement 7 (which covers conversion of agricultural buildings to dwellings) states: “New permanent dwellings should only be allowed to support existing agricultural activities on well-established agricultural units, providing the need relates to a full-time worker, or one who is primarily employed in agriculture and does not relate to a part-time requirement”, which would appear to preclude retired farmers.²⁰⁸

98. The Government intends to publish a national planning framework which will include planning for housing policy.²⁰⁹ **It is essential that the Government’s national planning framework include policies to mitigate the problems of lack of affordable housing in rural areas. The Home on the Farm scheme may be part of the solution to lack of affordable housing—we seek clarification from Defra as to how the scheme will work in practice. In particular, we expect Defra to clarify whether, ‘Home on the Farm’ will be**

199 *High ground, high potential*, p 19.

200 Ev w12, Ev 65

201 Q 22

202 Q 20

203 Q 183

204 Qq 216–217

205 Ev 83

206 Ev 84

207 Ev 83

208 Planning Policy Statement 7, Annex A, p 21
<http://www.communities.gov.uk/documents/planningandbuilding/pdf/147402.pdf>

209 Ev 84

limited to providing affordable housing and whether retired farmers and current farm workers will be able to take advantage of the scheme.

99. The CRC recommended that communities have a greater role in approving small schemes of affordable housing.²¹⁰ The Rural Development Agencies Rural Affairs Network advocated “effective planning that allows community-led identification of priorities and subsequent local agreement on sustainable solutions”.²¹¹ However, the NFU sounded a note of caution, expressing concern that community-led planning may favour policies “designed to maintain the appearance of the uplands rather than develop the productive infrastructure of agriculture in the uplands”, thereby undermining efforts to improve economic viability.²¹² In highlighting planning issues, the NFU’s memorandum states that:

The challenge is to ensure a joined up approach to planning that allows for local tailoring, but without becoming a means for local residents to block any undesired development regardless of its wider benefits. In terms of the wider uplands challenges, provision of low cost housing solves one of the challenges. There must be economic opportunity as well.²¹³

100. The Campaign for the Protection of Rural England (CPRE) responded to the NFU’s concerns, stating that:

During the inquiry familiar criticisms were levelled at the planning system as being obstructive to delivering affordable housing and to improving the economic viability, in broad terms, of upland communities. CPRE maintains its view that local authorities should work with the communities they represent to develop and agree development plans. Relaxing planning controls is likely to lead to less sustainable development and ‘planning by appeal’.²¹⁴

The CPRE went on to support a planning system that was “sympathetic to local landscapes and settlements”.²¹⁵ And concluded that:

CPRE believes that great care is needed to avoid industrialising the uplands in pursuit of short term economic gain at the expense of long term social and environmental values.²¹⁶

101. The CRC recommended that CLG:

Encourage public bodies that own land in the uplands (e.g. Forestry Commission, National Parks, Ministry of Defence) to make sites available for affordable housing provision at low cost, where these can contribute toward meeting needs.

210 *High ground, high potential*, p 19

211 Ev w7

212 Ev 64

213 Ev 65

214 Ev w28

215 Ev w28

216 Ev w28

Successive Governments have made commitments to release vacant defence estate properties. The Coalition Programme for Government includes a commitment to “explore a range of measures to bring empty homes into use”, and the Prime Minister has expressed a wish to see vacant MoD properties used for affordable housing.²¹⁷

102. We recommend that Defra work across Government to ensure that the national planning framework has a flexible and less restrictive approach to housing in rural areas. The planning framework should enable local communities to seek innovative and cost-effective solutions to the problem of affordable housing in rural areas, for example through use of defence estate properties that are becoming vacant.

National Parks

103. Each National Park has a National Park Authority—an independent body, funded by central Government, charged with two statutory purposes:

- to conserve and enhance the natural beauty, wildlife and cultural heritage of National Parks; and
- to promote opportunities for the understanding and enjoyment of the special qualities of National Parks by the public.

In *High ground, high potential*, the CRC note that National Park Authorities “play a crucial role in furthering economic and social well-being in upland areas”.²¹⁸ The report goes on to recommend that the remit of National Park Authorities (NPAs) be expanded to include a third statutory duty to foster the social and economic well-being of local communities.²¹⁹ National Park Authorities act as the planning authority in National Parks. One of the ways that National Park Authorities discharge their statutory duties is through planning decisions.

104. The previous EFRA Committee made a similar recommendation in its report on *The potential of England’s rural economy*. Having heard, in the Yorkshire Dales National Park, from businesses with concerns about the difficulty of obtaining planning permission in National Parks, that Committee recommended that “Defra carry out a review of whether planning decisions by National Park Authorities reflect the correct balance between protecting the natural environment and ensuring that communities located within national parks are sustainable and will survive”.²²⁰

105. The Government’s reply rejected that recommendation and stated: “The National Park authorities have done an excellent job at conserving the high environmental quality of the Parks but this has not been at the expense of the communities and businesses within

²¹⁷ The Coalition: our programme for government, see http://www.cabinetoffice.gov.uk/sites/default/files/resources/coalition_programme_for_government.pdf; HC Deb, 8 December 2010, col 307

²¹⁸ *High ground, high potential*, p 76

²¹⁹ *High ground, high potential*, p 77

²²⁰ Environment, Food and Rural Affairs Committee, *The potential of England’s rural economy*, Eleventh Report of Session 2007–08, p 8

them.”²²¹ In oral evidence, Dr Stone explained that National Parks already have a ‘supporting’ duty to foster social and economic well-being.²²² He explained that National Park Authorities comprise mainly local people nominated from the “...constituent authorities that make up the national park area”, who are committed to the “social and economic well-being of the area”.²²³ The Campaign for National Park (CNP) also emphasised that National Parks “...are already required to undertake their twin purposes (of conservation and public enjoyment) in a way that fosters the social and economic well-being of local communities”.²²⁴ The CNP added that they had seen “...no evidence to suggest that a new statutory purpose on social and economic well-being is necessary”.²²⁵

106. National Park Authorities already have two duties to balance and reconcile, in essence: conservation of the natural environment and access for the public. If those two duties come into conflict, National Park Authorities apply the Sandford Principle.²²⁶ That principle states that where the two statutory principles are irreconcilable priority must be given to the conservation of natural beauty.

107. In November 2010 the Government launched a consultation on the governance arrangements for the National Parks and the Broads.²²⁷ The stated purposes of the review included looking at how to make National Parks’ authorities more effective and responsive to the concerns of the local communities. However, the consultation did not include any proposal to amend the statutory objectives of National Parks as recommended by the CRC. Defra explained that this was because the consultation was “focussed on the generic issues of their future governance rather than substantive issues like amendments to the statutory purposes”.²²⁸ The department noted that the CRC’s recommendation that National Park Authorities give equal priority to fostering economic and social well-being alongside their existing statutory purposes would be considered as part of the review of uplands policy which is due to conclude in February 2011.²²⁹

108. We support the purpose behind the CRC’s recommendation that National Park Authorities have an additional statutory duty relating to social and economic well-being. The Authorities’ duties to the landscape and environment and the people who live, work and cherish those landscapes should have equal status. There appears no reason why the Sandford Principle should not be preserved and applied to a third statutory duty. We recommend that the Government seek an appropriate legislative vehicle to make this change and to introduce greater flexibility.

221 Environment Food and Rural Affairs Committee, *The potential of England’s rural economy: Government response to the Committee’s Eleventh Report of Session 2007–08*, p 4

222 Qq 144, 146

223 Q 144

224 Ev w11

225 Ev w11

226 The Sandford Principle is named after Lord Sandford who chaired the National Parks Policy Review Committee which reviewed national parks of England and Wales in between 1971 and 1974.

227 *Consultation on the Governance arrangements for the National Parks and the Broads*, Defra, November 2010

228 Ev 83

229 Ev 83

Access to development funding by rural enterprises

109. The Rural Development Programme for England (RDPE) implements the rural development elements of the CAP. The RDPE provides grant support to improve the competitiveness of the farming and forestry sectors and diversification of the rural economy.²³⁰ Under the previous government those RDPE grants were administered by Regional Development Agencies (RDAs). The RDAs also administered a Government fund for regional development. The Coalition Government has announced that RDAs are to be abolished and replaced by LEPs (Local Economic Partnerships) by March 2012. LEPs comprise local authorities and business leaders. The Government's intention is that LEPs provide "strategic leadership in their areas to set out local economic priorities".²³¹ In order to "create the right environment for business and growth", the Government expects LEPs will want to tackle issues such as "planning and housing, local transport and infrastructure priorities, employment and enterprise and the transition to the low carbon economy...[and support] small business start-ups".²³²

110. The Regional Growth Fund (RGF) is a discretionary fund intended to "support increases in business employment and economic growth by funding regional capital projects".²³³ The LEPs are supposed to co-ordinate and assist in making bids to the Regional Growth Fund (RGF). The department noted that Regional Growth Fund bids were not restricted to LEPs. Private bodies, public-private partnerships (not exclusively LEPs) and social enterprises could submit RGF bids.²³⁴ The European Regional Development Fund (ERDF) is aimed at economic regeneration projects promoted primarily by the public sector. In the past local authorities have received financial support through the ERDF and the LEPs will be encouraged to make bids to the fund in the future. The Government is looking at aligning the application processes for the ERDF and the RGF.²³⁵

111. Following the abolition of the RDAs, RDPE funding will be administered in-house by Defra.²³⁶ The Minister and Secretary of State have said that, once LEPs are fully functional, they will be looking to the LEPs to deliver RDPE funding as well. However, this is unlikely to occur until after the new RDPE funding has been agreed, as part of the current round of CAP reform. The Minister believed that hill farmers required additional support. He encouraged rural communities and hill farmers to seek additional funding, which would have to come from Rural Development Programme money.²³⁷ Accessing RDPE funding

230 Ev 78

231 Letter from the Departments for Business, Innovation & Skills and Communities and Local Government to Local Authority leaders and business leaders, 29 June 2010; see <http://www.communities.gov.uk/documents/localgovernment/pdf/1626854.pdf>

232 Letter from the Departments for Business, Innovation & Skills and Communities and Local Government to Local Authority leaders and business leaders, 29 June 2010; see <http://www.communities.gov.uk/documents/localgovernment/pdf/1626854.pdf>

233 HC Deb, 20 July 2010 : col 300W

234 Ev 84

235 HL Deb, 3 February 2011, col 86WS

236 Qq 102, 16, 11, 10

237 Qq 171, 182

will therefore be crucial for upland communities and farmers; a point reflected in the CRC's *High ground, high potential* recommendation that:

Delivery bodies with Less Favoured Areas within their jurisdiction should review the extent to which RDPE funding is sufficiently accessible to upland farms and rural businesses (especially those relating to enterprise investment and rural business support).

The South West Uplands Federation was cautious about the CRC's recommendation, arguing that:

Whilst we support the principle of making RDPE funding more available to upland farms there is some anecdotal evidence to suggest that those successful in securing financial support to diversify or to participate in local marketing initiatives often then abandon or reduce their moorland grazing.

112. The NFU's memorandum notes that the greater flexibility and localism LEPs could offer would be beneficial to the uplands. However, the NFU note that "few LEPs have highlighted agriculture as a priority to date and there is significant uncertainty over their future role". In a report on LEPs and rural interests, the CRC concluded that

An initial reading of some of the proposals for LEPs indicated a similar patchy recognition of rural economies' contributions. They range from those that have fully recognised their rural constituents to others, even where they incorporate sizeable rural areas, that have failed to reference them.²³⁸

According to the department "areas of the country, including rural areas, not currently part of a LEP could potentially be part of one in the future".²³⁹

113. Upland communities and farmers are being encouraged to seek funding to enable them to develop. However, the new bodies, LEPs, that should be encouraging innovation and growth, appear to lack the significant expertise and knowledge found in the RDAs to assist rural business. **We conclude that some Local Enterprise Partnerships (LEPs), that cover rural areas, appear to lack interest in, and knowledge about, rural issues. In addition, significant rural areas are not currently covered by LEPs. We encourage rural and farming representative organisations engage with LEPs. We recommend that Defra engage with the Department for Business, Innovation and Skills about including consideration of rural needs, where appropriate given the geography, as part of the criteria for selection of future LEPs.**

114. **There is a lack of clarity about the current position and how Rural Development Programme for England (RDPE) funding will be provided now and in the future. We recommend that Defra provide a clear and precise description of how funding will be provided across the country, with or without LEPs. We further recommend that Defra produce clear guidance for farmers and rural communities as to how RDPE funding will be administered now and in future.**

²³⁸ *Recognising rural interests within Local Enterprise Partnerships*, November 2010, Commission for Rural Communities

²³⁹ Ev 84

115. Any confusion about how RDPE funding will be administered compounds the difficulties farmers and local communities encounter in receiving information and accessing funding. We recommend that the Government explore a simpler means of gaining access to rural funding, of all kinds, through a one-stop-shop.

116. We recommend that Defra only use LEPs as a focus for delivery of RDPE funding in future (after 2013), when they have demonstrated that LEPs have sufficient geographical extent to benefit farmers in all rural areas and have sufficient skills, local knowledge and interest to assist with rural businesses. In the intervening time RDPE funding is to be delivered by Defra. We remain to be convinced that the department will be an effective and efficient delivery body. We expect Defra to set out how it will administer the fund and what processes are in place to monitor its performance as a delivery body.

6 Conclusion

117. The Commission for Rural Communities has provided Defra with a comprehensive report that emphasises both the special nature of the uplands and their potential to develop in the future. Our report has focussed on issues around hill farming, but in the uplands farming cannot be seen in isolation. Agriculture has shaped the uplands landscape over the centuries and its contribution to the cohesion and character of upland communities should not be underestimated.

118. **In this report we have highlighted issues raised by the Commission for Rural Communities in *High ground, high potential* that we consider require particular attention. Defra will shortly be producing its uplands strategy. Defra must decide whether farming is to be maintained as the central activity of uplands communities, and if so, explain how this will be achieved. As several witnesses have said there is now a need for action; we have therefore recommended that Defra produce an action plan setting out the Government's objectives, how it will achieve those objectives, the resources available and the timetable for implementation.**

119. **As farming is central to the uplands, the Common Agricultural Policy is central to the prospects for upland farmers. This Committee is currently considering the European Commission's proposals for reforming the CAP. In our deliberations on the proposals we have been mindful of the variety of agriculture within the UK—we trust the Government is similarly aware of the needs of all parts of UK agriculture and particularly the uplands.**

Annex

High ground, high potential—a future for England’s upland communities: Summary of Recommendations

1: A new integrated strategy for the uplands

The Government should develop a comprehensive and integrated strategy for England’s uplands, to protect and maximise the benefits derived from the valuable national assets these areas contain. The strategy should recognise that support and investment in thriving upland communities is critical to realising the full potential of these diverse areas.

2: Strengthening leadership and momentum

The Government should appoint an individual with lead responsibility for developing and ensuring effective implementation of the new uplands strategy. This individual should be accountable to Ministers of BIS, CLG, DECC and DEFRA.

3: Empowering communities in the uplands

3.1: CLG should take responsibility for ensuring that the recommendations of the CRC’s Participation Inquiry (2008) are implemented, and in particular:

- ensure that both central and local government commit to supporting and acting upon very local community plans such as parish plans and market town plans;
- encourage local authorities to give neighbourhood budgets to local councillors for expenditure within their areas and for parish councillors to involve local residents more directly in spending decisions using participatory budgeting principles.

3.2: Relevant local authorities should be encouraged by CLG to pilot new approaches that enable local authorities and communities to work together in upland areas to agree objectives, allocate resources, and achieve strategic goals. One of the models which might be piloted in an upland area could be the Multi Area Agreement (MAA) or similar. And CLG should extend the scope of its Total Place pilots to an upland location, providing a valuable opportunity to explore both the potential for a more integrated, place-based approach to public sector provision, and the opportunities for strengthening voluntary, community and social enterprise activities in upland communities.

3.3: Defra should enhance the role and value of the National Park Authorities by increasing their statutory responsibilities to give equal priority and status to foster the economic and social well being of local communities alongside the existing statutory purposes set out in section 61 of the Environment Act 1995.

3.4: Local planning authorities should be required to demonstrate that they have given material consideration to properly constituted parish plans and other local consultative strategies.

4: A new approach to funding

4.1: Current funding mechanisms will not unlock the potential of the uplands and as part of the CAP reform in 2013 and 2020, Defra and its agencies (and the EU) should develop a new approach to rewarding farmers for managing national assets in harmony with developing businesses and market enterprises.

4.2: Defra should broaden its concept of ‘income foregone’ to include the full costs of the farmer staying in business, in line with some other EU countries.

4.3: To reflect the contribution of upland communities to public benefits, Defra should ensure that the menu of measures under axes 3 and 4 should be broadened to enhance investment in and support for social sustainability of communities in upland areas.

4.4: Delivery bodies with Less Favoured Areas within their jurisdiction should review the extent to which RDPE funding is sufficiently accessible to upland farms and rural businesses (especially those relating to enterprise investment and rural business support).

5: Developing markets for carbon and water

5.1: Defra should establish a long-term land management policy to mitigate carbon loss, particularly in relation to peatlands management. This policy should be informed by the knowledge and capacity that various research programmes have developed in this area.

5.2: DECC should set out the steps necessary to develop effective carbon markets and ensure that future reward for land carbon management comes through the market.

5.3: Defra and its agencies should use good practice (such as SCaMP and catchment sensitive farming) to develop models for public-private investment that secures multiple objectives in upland catchments, maintains water quality, reduces flood risk and potentially provides income for hill farmers and land managers.

6: Securing the future for hill farming

6.1: Given the fundamental changes and the provisional budget allocations for the Upland Entry Level Scheme, Defra should review uptake and initial impacts of the scheme by 2012.

6.2: Decisions on stocking rates should be made locally to reflect the distinctive needs of each place, local climate and the balance of public goods appropriate for particular areas. We are recommending a rapid review of the policy and its effects—informed by whatever monitoring evidence and scientific evidence is now available—to understand more about what is happening on the ground.

6.3: Farming lead bodies, including NFU, TFA and CLA should work with Government to develop proposals, and facilitate good practice in ensuring the succession of upland farms.

6.4: In order to address the R & D deficit relating to sustainability of the uplands, Research Councils UK and other relevant stakeholders should target key themes and then build capacity through partnerships, pool scarce resources and facilitate greater knowledge transfer across relevant research projects.

6.5: At least one land-based college should use its hill farming resources to improve and promote apprenticeships, training, and livestock improvement and land management programmes. This should include field trial work and the development of learning materials for wider application.

6.6: RDPE funding should be used to develop a series of commercial demonstration farms to promote good practice across a range of disciplines including implementation of agri-environment schemes, soil and livestock management, alternative forage crops, stocking rates and grazing management regimes.

6.7: Because of the dependence on four wheel drive vehicles to carry out work in the difficult terrain of the uplands, we recommend that manufacturers and HMRC clarify and publicise the criteria for reduced taxation, including which vehicles qualify.

7: Encouraging enterprise in new green growth areas

7.1: DECC and CLG should require local authorities to complete an audit of the opportunities for renewable energy to stimulate new enterprise and ensure opportunities for added value are not missed.

7.2: BIS should ensure that specialist advice to develop new green businesses and enterprise is available and accessible across England's uplands.

7.3: BIS and DECC should ensure that programmes and incentives are offered to local businesses and social entrepreneurs within upland communities and that the economic benefits are enjoyed first and foremost by the local communities.

7.4: In any future plans for afforestation in the uplands, the Forestry Commission should promote and demonstrate full consideration of local social and economic benefits.

8: Raising aspirations: supporting development of communities

8.1: Cabinet Office should ensure that proper account is taken of the needs and potential of upland communities when developing and delivering the Government's Big Society Programme. In particular, the arrangements for the voluntary and community sector should be replaced with committed and reliable measures.

8.2: BIS should provide support to existing and emergent industries in the uplands, with advice, training programmes and knowledge sharing fora, focused on new and traditional skills and businesses, which reflect the business profile and potential of the uplands. Wherever possible this should be informed by experience of living and working in the uplands. Mentoring schemes would be particularly important to encourage innovation and provide inspiration.

9: Improving broadband and mobile telephone communications

9.1: BIS and Defra (through Broadband Delivery UK) should support the development of creative solutions to deliver NGA (Next Generation Access) to upland areas, including support for more community broadband schemes, and promoting good practice.

9.2: BIS should agree a set of proposals with OFCOM to provide universal coverage of mobile phone services.

9.3: BIS should agree to use a framework agreement so that public investment (e.g. through schools) may be used to support better broadband connectivity and speed for local communities and businesses.

10: Planning to enable sustainable upland communities

CLG should:

- Give clear guidance that affordable housing and homes for ‘live-work’ are fundamental to the sustainability of upland communities and to their management of the cultural and natural heritage.
- Provide advice that makes clear to local planning authorities and the Planning Inspectorate that more affordable housing must be approved in the wider public interest, and ensure that development plans and housing strategies reflect this imperative.
- Ensure a greater role for communities in approving small schemes of affordable housing without formal planning consent where this need is established in parish plans.
- Encourage public bodies that own land in the uplands (e.g. Forestry Commission, National Parks, Ministry of Defence) to make sites available for affordable housing provision at low cost, where these can contribute toward meeting needs.
- Ensure that the HCA makes sufficient finance available to build affordable housing in the uplands, and engages with upland organisations, landowners and parish councils—through its ‘Single Conversation’—in order to properly address issues such as higher design and development costs and the scarcity of development sites. Where such costs are higher because of the wider public interest then these costs should be met from general taxation.
- Press for council tax revenue generated through the charge on second homes to be used to support affordable rural housing.

Conclusions and recommendations

Commission for Rural Communities

1. We are concerned that, following the abolition of the Commission for Rural Communities (CRC), there is a real risk of a diminution in rural expertise within Defra and across Government. (Paragraph 14)
2. The Secretary of State told us that the new arrangement would provide “a stronger champion for rural issues at the heart of Government”. However, we recommend that Defra set out in clear and unambiguous terms how its Ministers and Rural Communities Policy Unit will build their capacity and expertise in relation to rural issues and how they will provide the degree of ‘challenge’ across Government to act as effective advocates for rural communities. We further recommend that Defra’s Rural Communities Policy Unit be required to: (Paragraph 15)
 - work across Government to ensure policy is ‘rural proofed’, (Paragraph 15)
 - make its work accessible to the public, and (Paragraph 15)
 - continue the data collection and analysis work of the CRC. (Paragraph 15)
3. Fulfilling these requirements should be included in the objectives of the Head of the Rural Communities Policy Unit. (Paragraph 15)
4. Defra should, within six months of the final winding up of the CRC, publish an assessment of the work of its Rural Communities Policy Unit and an analysis of the overall savings achieved in providing Defra’s rural policy and statistical work as a result of abolishing the CRC. Following publication of that report this Committee will wish to scrutinise the work of Defra’s Rural Communities Policy Unit. (Paragraph 16)

Defining the uplands

5. We consider the uplands landscapes and communities to be sufficiently exceptional and distinct to merit particular attention from Government. We recommend that Defra revisit the question of setting out a statutory UK or England-specific definition of ‘uplands’. A clear, statutory definition would assist the department in targeting policy and data collection. Such a definition might use a similar classification to those currently used in European regulations to define Severely Disadvantaged Areas and Less Favoured Areas. A Natural Environment Bill, which may arise from the anticipated Natural Environment White Paper, may provide an appropriate legislative opportunity to create a statutory definition for the uplands. (Paragraph 21)
6. We are concerned that, in their current form, the European Commission’s proposals for new criteria to assess Less Favoured Area (LFA) status would exclude significant areas of England from the additional support they currently enjoy and will continue to require. In particular we would not wish the criteria used for any new classification to exclude areas currently designated LFAs, such as parts of the South

West of England whether on the basis of altitude, climatic conditions or any other factor. We therefore urge the Government to put up a robust defence of the English uplands in its discussions with the European Commission. (Paragraph 24)

A new national strategy for the uplands

7. Mindful of our witnesses strictures that it is time to “get on with it”, the Government should set out an uplands action plan; setting out its policy objectives, the specific action to be taken to achieve them, by whom, the timescales for implementation and the scale and source of the resources available. The action plan should address the breadth of issues considered in High ground, high potential, allow for flexibility of approach to reflect the variation between upland areas and encompass action to be taken by each Government department. (Paragraph 29)

Leadership

8. If Defra’s uplands strategy is to be successful it is imperative that the department have sufficient influence across Whitehall to ensure that the Government as a whole recognise the importance of the uplands and hill farming. We recommend that a Defra Minister is given cross-cutting responsibilities for the uplands. That Minister should establish an effective advisory panel to provide a breadth of expertise to challenge policy proposals and confront inertia within Government. (Paragraph 32)

Future funding for upland farming

9. Farming should be the primary activity of hill farms. The Government’s forthcoming uplands strategy must address how, as the first priority, farming activities can be enhanced and made more efficient to increase hill farm incomes. We accept that farming will not necessarily provide sufficient income for some hill farms to continue. The Government’s uplands strategy should therefore consider the barriers to diversification and new markets and how best to enable farmers in the uplands to exploit those business opportunities. (Paragraph 38)

Single Payment Scheme

10. The Tenant Farmers Association advocate a return to headage payments. Successive governments have resisted such a move. We are not convinced by the Government’s arguments for dismissing this option. We recommend that the Government look again at the arguments for and against headage payments and explain the evidence base and grounds for opposing this method of supporting hill farmers in limited and specific circumstances. We recommend that it set out under what conditions it would consider supporting a re-introduction of headage payments. (Paragraph 46)

Stocking rates

11. We recommend that stocking rate decisions should be based on an agreed environmental outcome, for example achieving a set sward length rather than

prescribing the number of livestock and the grazing season. Stocking rate decisions should be taken locally and involve local farmers. (Paragraph 51)

Uplands Entry Level Stewardship Scheme (UELS)

12. We recommend that the Uplands Entry Level Stewardship be reviewed before the end of this year. The review should consider the challenges faced by tenants and commoners in accessing the scheme. If the review finds that they are so disadvantaged, we recommend that Defra bring forward proposals to remove the barriers to accessing the schemes, to include a mediation or dispute resolution mechanism accessible to land owners, tenants and commoners. (Paragraph 55)

Common Agriculture Policy reform

13. The current rules for calculating ‘income foregone’ provide insufficient compensation for uplands farmers and discourage more from joining agri-environment schemes. We recommend that Defra set out how the definition of ‘income foregone’ can be extended for farmers in Less Favoured Areas only to reflect the costs of running the farm. One of Defra’s aims for the current round of CAP reform should be a more transparent system of paying farmers for the benefits being delivered through agri-environment schemes. (Paragraph 60)

Carbon markets

14. The CRC recommended that the Government establish a functioning carbon market, but appeared to have little to add apart from their enthusiasm. A carbon market is unlikely to be established for some time and therefore Defra should concentrate on the short-term benefits to the uplands first. We do not anticipate carbon markets making a significant contribution to the uplands economy for some time. A functioning carbon market operating in the uplands is an important long term goal. We recommend the Department for Energy and Climate Change work with Defra to identify a mechanism by which the uplands could participate in a carbon market, what regulatory barriers need to be removed and what the likely return to farmers would be from participating in the market. This work should consider how peatland restoration could be incorporated into a carbon market. (Paragraph 70)
15. Restoration of peat can contribute to increasing carbon storage as well as having wider environmental benefits. We recommend that Defra explore how peat restoration projects could contribute to Defra’s carbon budget obligations. (Paragraph 71)

Water markets

16. There are a range of water management options that could provide an additional source of income for upland farmers. We recommend that Defra work with the water industry and the economic regulator, Ofwat, to encourage the development of

water markets more widely in the uplands. We welcome the inclusion of developing water markets as part of the Ofwat review. (Paragraph 75)

17. There are several examples of water companies working with upland land managers to improve water quality. We encourage the industry, supported by Ofwat, to explore greater use of the natural environment, particularly in the uplands, to improve water quality. (Paragraph 76)
18. We recommend that Defra work with the Environment Agency to identify ways to encourage local partners and land managers to work together on water sequestration schemes with the goal of reducing flood risk. (Paragraph 77)

Tourism

19. Tourism has the potential to be an additional source of income for upland farmers. Defra's upland strategy should set out how the Government will support farmers seeking to diversify into business activities that serve those tourists. (Paragraph 80)
20. Some National Parks contract farmers to carry out specific activities to manage the land, such as maintaining paths and walls. We recommend Defra seek further ways that farmers can generate additional income, for example by being contracted to assist in clearing snow during bad weather. (Paragraph 81)

Future development

21. Improved extension services and demonstration farms, where appropriate, need to be part of the mix of approaches that will need to be deployed to improve the competitiveness of uplands farmers. We recommend that Defra include specific reference in its uplands strategy action plan as to how it will support improving agricultural, business and management skills and schemes that enable diversification. (Paragraph 85)
22. Succession is likely to remain problematic until the fundamental issues of low economic viability and high uncertainty of hill farming are addressed. (Paragraph 88)

Broadband

23. The internet is a critical business tool. The efficiency of upland farming will be enhanced by the ability to reliably access information and transact business online. Defra should set out how and by when the super-fast broadband trial will be evaluated. Defra's uplands strategy action plan should set out where and by when the super-fast broadband trial will be extended, and what resources have been identified to fund an extension of the trial. (Paragraph 92)

Planning and housing

24. It is essential that the Government's national planning framework include policies to mitigate the problems of lack of affordable housing in rural areas. The Home on the

Farm scheme may be part of the solution to lack of affordable housing—we seek clarification from Defra as to how the scheme will work in practice. In particular, we expect Defra to clarify whether, ‘Home on the Farm’ will be limited to providing affordable housing and whether retired farmers and current farm workers will be able to take advantage of the scheme. (Paragraph 98)

25. We recommend that Defra work across Government to ensure that the national planning framework has a flexible and less restrictive approach to housing in rural areas. The planning framework should enable local communities to seek innovative and cost-effective solutions to the problem of affordable housing in rural areas, for example through use of defence estate properties that are becoming vacant. (Paragraph 102)

National Parks

26. We support the purpose behind the CRC’s recommendation that National Park Authorities have an additional statutory duty relating to social and economic well-being. The Authorities’ duties to the landscape and environment and the people who live, work and cherish those landscapes should have equal status. There appears no reason why the Sandford Principle should not be preserved and applied to a third statutory duty. We recommend that the Government seek an appropriate legislative vehicle to make this change and to introduce greater flexibility. (Paragraph 108)
27. We conclude that some Local Enterprise Partnerships (LEPs), that cover rural areas, appear to lack interest in, and knowledge about, rural issues. In addition, significant rural areas are not currently covered by LEPs. We encourage rural and farming representative organisations engage with LEPs. We recommend that Defra engage with the Department for Business, Innovation and Skills about including consideration of rural needs, where appropriate given the geography, as part of the criteria for selection of future LEPs. (Paragraph 113)
28. There is a lack of clarity about the current position and how Rural Development Programme for England (RDPE) funding will be provided now and in the future. We recommend that Defra provide a clear and precise description of how funding will be provided across the country, with or without LEPs. We further recommend that Defra produce clear guidance for farmers and rural communities as to how RDPE funding will be administered now and in future. (Paragraph 114)
29. Any confusion about how RDPE funding will be administered compounds the difficulties farmers and local communities encounter in receiving information and accessing funding. We recommend that the Government explore a simpler means of gaining access to rural funding, of all kinds, through a one-stop-shop. (Paragraph 115)
30. We recommend that Defra only use LEPs as a focus for delivery of RDPE funding in future (after 2013), when they have demonstrated that LEPs have sufficient geographical extent to benefit farmers in all rural areas and have sufficient skills, local knowledge and interest to assist with rural businesses. In the intervening time RDPE funding is to be delivered by Defra. We remain to be convinced that the department

will be an effective and efficient delivery body. We expect Defra to set out how it will administer the fund and what processes are in place to monitor its performance as a delivery body. (Paragraph 116)

Conclusion

31. In this report we have highlighted issues raised by the Commission for Rural Communities in High ground, high potential that we consider require particular attention. Defra will shortly be producing its uplands strategy. Defra must decide whether farming is to be maintained as the central activity of uplands communities, and if so, explain how this will be achieved. As several witnesses have said there is now a need for action; we have therefore recommended that Defra produce an action plan setting out the Government's objectives, how it will achieve those objectives, the resources available and the timetable for implementation. (Paragraph 118)
32. As farming is central to the uplands, the Common Agricultural Policy is central to the prospects for upland farmers. This Committee is currently considering the European Commission's proposals for reforming the CAP. In our deliberations on the proposals we have been mindful of the variety of agriculture within the UK—we trust the Government is similarly aware of the needs of all parts of UK agriculture and particularly the uplands. (Paragraph 119)

Formal Minutes

Wednesday 9 February 2011

Members present:

Miss Anne McIntosh, in the Chair

Thomas Docherty
Richard Drax
George Eustice

Barry Gardiner
Neil Parish
Amber Rudd

Draft Report (Farming in the Uplands), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 119 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Third Report of the Committee to the House.

Ordered, That the Chair do make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No.134 amend if necessary.

Written evidence was ordered to be reported to the House for printing with the Report.

[Adjourned till 2.30 pm, Wednesday 16 February 2011]

Witnesses

Wednesday 27 October 2010

Page

Dr Stuart Burgess, Chairman and **Professor Mark Shucksmith**,
Commissioner, Commission for Rural Communities

Ev 1

Wednesday 10 November 2010

Mr George Dunn, Chief Executive and **Mr Mike Keeble**, Uplands Expert,
Tenant Farmers Association, **Mr William Worsley**, President and **Professor
Allan Buckwell**, Director of Policy, Country Land and Business Association,
Dr Andrew Clark, Head of Policy and **Mr Will Cockbain**, Uplands expert,
National Farmers' Union, **Dr Nigel Stone**, Chief Executive, Exmoor National
Park and **Mr Peter Barfoot**, Head of Conservation, North York Moors
National Park, English National Parks Authorities Association

Ev 17

Wednesday 17 November 2010

James Paice MP, Minister of State for Agriculture and Food, Department of
Environment, Food and Rural Affairs, **Mr Jeremy Eppel**, Deputy Director of
Uplands and **Mr Dan Osgood**, Deputy Director, Environmental Land
Management, Department for Environment, Food and Rural Affairs

Ev 36

List of written evidence

Commission for Rural Communities	Ev 94
Country Land and Business Association	Evs 57, 60
Department for Environment, Food and Rural Affairs	Evs 68, 83
English National Parks Authorities Association	Evs 86, 88
National Farmers' Union	Evs 62, 66
Tenant Farmers Association	Evs 53, 55

List of additional written evidence

(published in Volume II on the Committee's website www.parliament.uk/efracom)

Agriculture and Horticulture Development Board	Ev w25
Barnard Castle Vision	Ev w17
Campaign for National Parks	Ev w10
Campaign to Protect Rural England	Ev w27
Countryside Alliance	Ev w13
Dartmoor Commoners' Council	Ev w4
Dartmoor National Park Authority	Ev w8
English Heritage	Ev w15
Environment Agency	Ev w30

Exmoor National Park Authority	Ev w23
Federation of Cumbria Commoners	Ev w1
Friends of the Earth	Ev w19
National Trust	Ev w11
North West Upland Farming Forum	Ev w2
Pennine Prospects	Ev w28
Royal Society for the Protection of Birds (RSPB)	Ev w14
Rural Development Agencies Rural Affairs Network	Ev w6
South West Uplands Federation	Ev w5

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2010–11

First Report	Future Flood and Water Management Legislation	HC 522
First Special Report	The National Forest: Government response to the Committee's Fourth Report of Session 2009–11	HC 400
Second Special Report	Dairy Farmers of Britain: Government response to the Committee's Fifth Report of Session 2009–10	HC 401
Second Report	The Marine Policy Statement	HC 635

Oral evidence

Taken before the Environment, Food and Rural Affairs Committee

on Wednesday 27 October 2010

Members present:

Miss Anne McIntosh, in the Chair

Thomas Docherty
George Eustice
Mrs Mary Glendon

Neil Parish
Dan Rogerson
Amber Rudd

Examination of Witnesses

Witnesses: **Dr Stuart Burgess**, Chairman, Commission for Rural Communities, and **Professor Mark Shucksmith**, Commissioner, Commission for Rural Communities, gave evidence.

Q1 Chair: Good afternoon, ladies and gentlemen. Could I formally open the session? I'm delighted to welcome Dr Burgess. Thank you very much for joining us. I know you have a close connection to North Yorkshire, so it's a particular pleasure. Would you like to introduce your colleague for the record, Dr Burgess?

Stuart Burgess: I will indeed, if I may. Thank you very much for this opportunity. This is Professor Mark Shucksmith, who is from the University of Newcastle and is a Commissioner with us in the Commission for Rural Communities.

Q2 Chair: You're both very welcome. Have you had any indications yet from the Government in response to your report?

Stuart Burgess: No.

Q3 Chair: Have the Government pledged to introduce an upland and hill farming strategy, in conversations with you?

Stuart Burgess: Jeremy Eppel is the person who's promoting this at the moment on behalf of the Government. I met Jeremy yesterday and had a very useful conversation with him. He helpfully mapped out where his thinking was going. He's been around the country, et cetera. With others, he is formulating a response, hopefully by February.

Q4 Chair: How would you define "uplands"?

Stuart Burgess: This is a very interesting question. We've struggled with that. I'll bring Mark in, if I may, in a moment. If, for example, you focus on Yorkshire for a moment—a familiar territory to yourself and, indeed, to myself, having worked in that space for about 15 years—and if you go to the North Yorkshire Moors, it's pretty obvious the uplands are there. If you go for example down into the South West, then people may say, "Where are the uplands here?" Mark, I think you, better than I can, will help answer that one.

Professor Shucksmith: Thank you, Stuart. It was a really difficult definitional point. We decided to take a pragmatic approach, in terms of the report that we produced. We defined the uplands in terms of the less-favoured areas, including both the disadvantaged and the specially disadvantaged areas. Of course, when you do that, you include quite a lot of urban areas as

well as rural areas. We were able to differentiate between different sub-areas within the uplands very much in the meetings that we held, and the evidence that we had from people in the different regions. Quite a lot of the evidence we were given at meetings was people talking about the more upland uplands, if you understand what I mean—what we might imagine in popular imagination to be the uplands. The formal definitions and the statistics we included in the *State of the Countryside Update: Uplands* cover the Less Favoured Areas in general.

Q5 Chair: Are you hampered by the fact that there's no statutory definition of "uplands" or "hill farm" generally?

Stuart Burgess: I think that it would be rather nice to have a particular tight definition over all this. The only problem with that is there needs to be some kind of flexibility. Mark rightly talked about the sparsely populated areas or the Less Favoured Areas, but it's also to do with remoteness. We struggled with this for a long time in our reports. We couldn't come up with a tightly defined definition, but Mark may wish to comment on that.

Professor Shucksmith: I could refer you to page 26 of our report, which sets out the agonising we did, and we defined the uplands in the end. We talk about the many ways of defining the uplands, and the severely disadvantaged areas. In terms of hampering us, we were just trying to understand the problems and use this for the purposes of an inquiry. We found, pragmatically, a way through it. The question looking forward is whether it would hamper Government in terms of formulating policy. I think the Government will need a definition of the uplands, if they're going to have an uplands policy, whether they take the same line as us or a more narrowly drawn one. In the context of reviewing the Less Favoured Areas in general anyway, I guess it's one of the things we'll look for in their response.

Stuart Burgess: There's also sheer diversity that is around in the upland areas. Obviously we gathered evidence from Northumberland and Yorkshire, and in Cumbria and the High Peaks, and down to the South West. The sheer diversity that is around in those upland areas is enormous.

27 October 2010 Dr Stuart Burgess and Professor Mark Shucksmith

Q6 Chair: If you could only salvage three of your recommendations, which three would you choose?

Professor Shucksmith: I was just asked that same question the other day and I boiled it down to four. I think the first one is to have an integrated policy for the uplands, which goes across government departments and which allows government departments to work together to make sure that the policies work in a coherent and mutually supportive way, rather than getting in the way of one another. The second and related element is to have a champion or at least somebody who has the responsibility within Government and across Government for trying to ensure that.

The third thing would be to address the problem, the issue, of inadequate funding for hill farming producing the public goods and maintaining and looking after the valued assets that we have. I'm sure you'll want to talk more about that. The fourth thing, if I can add a fourth, is I think one of the really important things in our report, and it is new—as far as I'm aware anyway. It is to emphasise and to recognise the interdependence of the hill farmers and the public goods and assets with the upland communities in which they're embedded. As one hill farmer told me, it's not just making a living; it's making a life worth living, and how you maintain that infrastructure. I would add that fourth.

Stuart Burgess: I would respond in many ways in a very similar basis. I would go for the integrated strategy, because I think that's absolutely key, and encouraging Departments to work across Government, which is essential. Also around the funding, there has to be some kind of rethink. We struggled in our own meetings with whether many should go up the hill, as it were. Funding is absolutely key to these issues. The whole point of our report is stressing that it's not just about farming; it's set within the context of huge potential out there. How is that potential realised, not just for the sake of the hill farmers but also for the sake of upland communities? It is the stress on the upland communities that I think is absolutely key and essential, and almost unique to our report.

Q7 Amber Rudd: Could you tell me what effect you think the abolition of the Commission will have, both on rural communities and on rural policymaking in Government?

Stuart Burgess: Obviously I was rather saddened when it was announced the Commission was going to be abolished, not just for the sake of the staff, because we have some splendid people there, we really have—many of whom are experts in their own particular fields. I value very much the context of the staff and the organisation. It's had a short life, but we built up some strong hard-evidence-based work, and we're in tune with the rural communities. Through my work as a Rural Advocate especially, I was able to bring that experience of travelling and drilling right down to rural communities into the heart of the Commission, to influence thinking, et cetera, and vice versa as well. I was particularly saddened, and I was saddened for the staff. However, we have to realise that things change. Politically, things change, and we have to be positive and see how things can be developed.

The setting-up of the new rural unit is an opportunity for this to happen, bringing at least some of our expertise and a number of people who can populate that in from the Commission, I hope. That will be sorted out, I understand, in the next few weeks. There are some positive signs coming out. I realise of course that the coalition Government wanted to bring the expertise and evidence in-house, and in a Government Department in Defra, and I look forward to seeing how strong this will be.

The downside of all this is that it's interesting to note—I may be right in this but forgive me if I'm wrong—that this is the first time since Lloyd George that we haven't had an arm's length body out there concerned for rural communities. We've tried to build up an independent voice, not hostage to any Government—certainly in my role as Rural Advocate one of the things I feel very strongly about is that I'm totally independent and have worked on that passionately. It is this independent voice that could easily be lost, but we are where we are, and we have to make the best of it. I said to Caroline Spelman that I would work for the well-being of the setting-up of the new rural unit, and I will continue to do that.

Q8 Amber Rudd: Do you have a view yet on which elements of the Commission will be taken into Defra?

Stuart Burgess: I think the parts that are particularly concerned with the evidence-based work and working with stakeholders, for example; those two areas will be taken into Defra. Obviously I rejoice at that, and I hope that we, through the Unit, will be able to produce some good evidence-based work, working with our stakeholders, and also representing rural communities. That is very important, I think. Over the last few years, through the role of the Rural Advocate and the work of the Commission, we have built this up, especially in terms of speaking on behalf of the rural disadvantaged, for example, in rural communities, because I have a great commitment to the disadvantaged, especially in rural areas but also in urban areas. For the disadvantaged, this area of work could be lost, but I hope not.

Professor Shucksmith: Could I just add to that? Stuart's covered most of what I would want to say as well. Clearly we hope that the Rural Communities Policy Unit is a success and it will be at the heart of Government, and it's taking the people connected with policy and analysis and also the Rural Development Programme for England Network into the Policy Unit. The only slight worry that I have about that, apart from obviously the process of transition and upheavals, is the Commission for Rural Communities has as its strapline that it's concerned with rural disadvantage. We were set up by Parliament to try to particularly focus on rural disadvantage, and I don't think at the moment that's in the terms of reference of the Rural Communities Policy Unit. I hope that they will also have that concern.

The other point is that, being outside Government, when we've given advice it has been public; it has been transparent. That advice has been not only to Government; it has also been available to rural communities and people in rural communities, which would seem to fit rather well with the idea of the Big

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Society, community empowerment and localism. I hope that the analysis, advice and workings of the Policy Unit are available not only to Government behind closed doors, but are also available to communities in rural areas.

Q9 Amber Rudd: There has been some questioning though of whether advocacy by a publicly funded body, a quango in effect, is the right use of public money. I know the Secretary of State raised that on *Farming Today*, saying that the public might be surprised to find that their money was being used as advocacy for a particular group. Do you have a view on that particular comment perhaps?

Professor Shucksmith: I think that's largely a matter for Government and for Parliament. We were given a statutory responsibility by Parliament to be Rural Advocates, expert advisers and rural watchdogs, with a particular focus on rural disadvantage, and that's what we did.

Q10 Amber Rudd: Do you think that Defra will have sufficient strength to represent and to advocate for rural communities, once that responsibility is absorbed into Defra?

Stuart Burgess: My hope would be that that would be the case. Certainly the role of the Rural Advocate, as I interpreted it, was about going around and travelling extensively, drilling right down to rural communities and listening very closely to their concerns and their needs, and having an overview from a national perspective. That could easily be lost in all this, if we're not careful, which I think would be very sad.

Q11 George Eustice: Turning to your report on the uplands, I wonder if you can tell me what it was that persuaded you to do a report in this area. Was there a particular challenge that's come recently or a particular set of evidence that made you think this particular Commission was necessary?

Stuart Burgess: That's a very interesting question. It spans the last 20 years of my life, to be perfectly honest. Working up in Yorkshire as a church leader, I spent a lot of time with the hill farmers up there, realising that there could be a potential difficulty and a problem in the future, bearing in mind their low incomes. It wasn't just that; it was the knock-on effect. The particular role I had was the relationship to communities as well, and putting it in the focus of rural communities. When I was appointed Rural Advocate and Chair of the Commission for Rural Communities, I particularly went around other areas, other than Yorkshire, for example in Northumberland, and especially up in Cumbria. It was on visits to Cumbria that I saw not only the problem but also the potential that could be there around hill farming and hill farming communities.

In my report to the then Prime Minister, my Rural Advocate's Report, I said I thought there was a piece of work that needed to be done around the future of hill farming. There has been a lot of work done in the last 20 years, and Mark has been instrumental in some of that. It would be, if you like, a fresh look, not only at the hill farming, but putting it in the context, as I

would re-emphasise, of rural communities. It was the Prime Minister who came back and said, as many people often do, "You've identified a piece of work. Why don't you get on and do a piece of work about it?" That's the origins of it and how it came to be. A number of the commissioners have been incredibly helpful over this, Mark included, and members of staff. We have really put our thinking caps on and came up with—I'm a bit biased obviously—a pretty good report.

Q12 George Eustice: Are the challenges the same, effectively, between all the different upland communities that you mention?

Stuart Burgess: There are many similarities between them, but obviously the geographical areas and the demographic areas of, for example, the South West and up in Cumbria and Northumberland are quite different. The context is quite different. If you go, for example, into the High Peak area, the context there is in the close proximity of large urban areas. If you go into other upland areas, you don't get that same context, and it is a context that is absolutely critical to all this. The challenges are across the piece and across the board, and we have identified many similar strands linking those upland communities.

Professor Shucksmith: If I can just add to that, I think each upland area is different, in so far as everybody we spoke to was very proud of their own area and its traditions, and was keen to point out what was special about it. The processes of change, the cost of providing public services for example, the measures that are there in support of hill farming, processes of housing change, all these things, were acting on all the areas. Clearly the more urban areas in the High Peak were affected in a different way from north Northumberland. The Lake District, with all the tourist pressures, would be different from an upland area that didn't have those tourist pressures, but there seemed to be common processes for the most part to varying degrees, overlaid on what were historically and culturally different places.

Q13 George Eustice: You're right: it's a very detailed piece of work; you take huge amounts of evidence. Is there anything that you wish that you had spent more time on or developed? You had a little bit of criticism from the NFU and the Countryside Alliance saying that it didn't come up with the answers.

Stuart Burgess: If I had more time, where would I concentrate? I was fascinated and taken up by the potential of carbon storage in the uplands. We touched on this in one of our sections, as you may have gathered. I was inspired by the work that the University of Nottingham is doing. It is linking up with other universities, and pioneering some very interesting work. It also obviously links up to the assets in the upland areas; how all this could be tapped into and also how potential money could be generated. If I had more time and perhaps a more scientific mind, I would like to really tease out what are the implications of potential carbon storage, and the money that could be made there for the hill farmers.

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Q14 George Eustice: Since you've published this report—I know the Chair asked you earlier whether you've had a response from Defra—is there anything they've put in train in terms of their policy, since the new Government, that has addressed some of the issues you've highlighted? Is there anything you'd be encouraged by in the last few months that has come out from Defra?

Stuart Burgess: I've been encouraged by what the Secretary of State, Caroline Spelman, has said. She has welcomed the report. I had a meeting with her. Also through Richard Benyon and Jim Paice I picked up some very good signals and signs, which are very welcoming. I think the intention there—coming from the vibes I'm picking up—is pretty clear. Yes, this is an interesting report. It has some detail and some hard evidence-based work around it, which is obviously what we have produced. I'm hopeful that some of the recommendations will be implemented. Obviously, we would like all of them to be implemented, but we are realistic people. We hope that the majority of them will be. There are particular signs around broadband issues, for example, that are coming out, which I would applaud. The work around the National Parks, for example, and the structure and the report coming out in January around the National Parks could address some of the particular issues that we've raised. I'm pretty hopeful at the moment that this report is being taken seriously, and that a number of our recommendations will be acted on.

I also know that the wider backcloth of this is that many people out there in upland areas are coming out in favour of our report, and are making that known politically to their own local politicians, a number of whom have been incredibly helpful and supportive, saying, "This is important." They're also saying to me that, if we miss this opportunity, we've missed it for a long period of time.

Professor Shucksmith: If I could add briefly to that, I think it is very encouraging the way that so many different groups and individuals have come out in support of our recommendations and analysis. We are very pleased that the Government are going to make a policy statement on the uplands. It looks like that is due in February. In terms of one or two specific things that have happened—I don't say that they're because of our report, but they're things that we did want—the rural broadband pilots, which were announced last week for Cumbria, North Yorkshire, Herefordshire and the Highlands and Islands of Scotland, are a good start there. The Big Society pilots, particularly the one in Eden Valley, I understand from colleagues, are really trying to move on the arguments about community engagement, local action and community plans, with the support of a senior planner from CLG. The Community Right to Build, I don't know that it's the finished article yet, but there is a consultation process going on. It does seem to accept the need for affordable housing in small settlements, and that the community should be engaged in that.

Having said all of that, there are also things that work against some of our recommendations. Clearly in the context of spending cuts, the reduction in funding for local authorities in particular is going to have an impact on local services. There is a worry, even more

than when we reported, about how that might affect services in the uplands; similarly, the reductions in the budget of Homes and Communities Agency in relation to affordable housing. There are some very encouraging signs, and some where we might have to wait a bit longer until the times are a bit better.

Q15 George Eustice: Quite a few of those things you've mentioned obviously are common to all rural areas. Did you identify any specific challenges that affect only the uplands and that are very different to remote rural areas generally?

Professor Shucksmith: They are challenges that affect everywhere, but they're more extreme in the uplands, so the challenge of providing public services in remote, sparsely populated communities is a much greater challenge than providing it in the commuter belt around London or around Newcastle. There is a real challenge there. In our report, we've called for some innovation, for example in trying to find ways in which the voluntary community sector could work with local councils in finding new ways of delivering services in such challenging terrain. There's a question about how that will be affected by the context of spending cuts and the other demands that are being placed on the voluntary sector. As one instance, again in relation to housing, costs are often higher, schemes tend to be smaller, the terrain is worse, and there tend to be requirements for local materials—Lake District green slate or whatever it happens to be—which tend to push up costs. If the Homes and Communities Agency, for example, is trying to get the most houses for their money, they will probably not be building them in the uplands.

Stuart Burgess: There are examples around broadband provision, of course, which is much easier to roll out in lowland areas than it is up in the upland areas. There are some marvellous examples of where it has been rolled out. I would argue very strongly that broadband in upland areas is quite critical. That's another example of how it varies and differs.

Q16 George Eustice: I wanted to ask about hill farming specifically. Do you take the view that basically the viability and the state of hill farming is absolutely central to the state of our upland communities?

Stuart Burgess: I believe it is. In terms of the management of land and coping with the environment and so on, I think hill farming is critical within that wider context. Keeping the hill farmers up there is, in my book, essential.

Professor Shucksmith: In relation to hill farming, there is a further difference between uplands and other rural areas, because essentially hill farming is not viable without the support of the European Union. That's the reason for the support. That's the logic in the Less Favoured Area Payments designed to safeguard the continuation of farming in particular regions where it would be threatened in the absence of the compensatory allowances. That's the whole basis of them. Now, hill farms are continuing. They're often continuing because of a combination of the farm income and off-farm work. There's a question there immediately that points to the intertwining of the

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wider rural economy, hill farming and the public goods. We have to think about how to maintain that broader rural economy, so that there is that off-farm income coming in to maintain the hill farms. That's not enough, because we also want to have the right land management practices incentivised, which support and maintain those valued landscapes, that biodiversity and all the other public goods.

In the lowlands, one can try to achieve the management and the maintenance of those public goods, because those businesses are fundamentally profit-making. You can impose regulations or try to work with people. There isn't a threat to the continuation of the business. In the uplands, it's whether the business can survive at all. You can't just do it by regulation. You have to give them the financial support, otherwise they won't be there to maintain those assets. That's a qualitative difference between upland hill farming support and the lowlands. It's absolutely essential.

Stuart Burgess: I think it is far easier to diversify in the lowland farming community than it is in the upland communities, where it is far more difficult to bring other income in from diversification.

Q17 Mrs Glendon: You started to talk about the economic issues, and why you've said those challenges are across the board. With the current economic climate, is it feasible to continue to provide economic support to all upland farmers or should we be focusing the resources that we have on particular areas, such as National Parks?

Stuart Burgess: I would say personally that it has to be all areas, and I say that against the context of what happens to the land if you take off some of the hill farmers. We know what happens to the land: it quickly deteriorates; it quickly goes back into scrub. In the context also of those communities, I personally wouldn't want to withdraw out of any upland areas. It is absolutely crucial to stay there for the management of land purposes, but also for the sake of the community. I realise that money is going to be tight and where we are economically, but let us see this as potential and as an opportunity, rather than as a time of withdrawing. This report is also about being innovative, pushing out the boat and looking for solutions. We realise that Government can maybe only come up with some solutions, but in our report we've also referred back to another report that we did, a participation inquiry, about the responsibility of trying to develop that potential from local communities. I've seen some marvellous work where people have just got together and, almost against all the odds, have produced something that is very entrepreneurial and innovative. We have to encourage people to do that, especially in the upland areas.

Professor Shucksmith: There is a case for targeting, but I don't think it's which bits of the uplands you target; I think it's targeting the available European funding more on the uplands and less perhaps in some areas where it's not being very wisely spent. I don't mean necessarily geographical areas; I mean particular aspects of the Common Agricultural Policy that are not a very efficient use of money. There are many studies that have been done by the European

Court of Auditors, our own Government and previous Governments pointing to many potential reforms that could be made in the Common Agricultural Policy. It seems to me that the funding that is required to address these issues in the uplands is relatively small in relation to the money that is available through the Common Agricultural Policy. Better targeting, more efficient use of those funds, could allow upland and hill farmers to be supported more adequately, even in the current economic climate.

Q18 Mrs Glendon: So, selective criteria wouldn't really work; you would want to look at the benefits reaching all communities and not try to minimise funding to selected areas? You wouldn't want to say, "We support this area, but we'll withdraw funds from another." Do you think there needs to still be a broad basis of support?

Stuart Burgess: I would really go for a broad base of support.

Professor Shucksmith: I think a broad basis of support as well but, nevertheless, saying we particularly want to focus funding on areas where there are these public goods and valued assets, and you can define those in various ways. You could say areas of high nature value, or you could say National Parks were another aspect. There will be several dimensions—biodiversity, carbon. Try to make sure the money is targeted on those outputs. Even beyond all that, there is still this fundamental point I've made that you need to ensure the continuity of the businesses in the hills. Even beyond funding the particular aspects, there is the question: how do we make sure that hill farming survives? The alternative is to lose these valued assets, and they're very important to the public at large. We know that.

Q19 Thomas Docherty: In chapter 5 of your report, the conclusions, the first recommendation that you came up with was to develop a national strategy for the uplands. How would you or how have you recommended to the Government that they go about delivering this recommendation?

Stuart Burgess: The national strategy is an integrated strategy, which is what we really came out with. I think it's about doing some joined-up thinking across government departments. What we've done is to realise that, okay, this was a concentration on the hill farmers and the uplands, but it's impinged upon many other government departments. If we're not careful, we see things as piecemeal, but what we're aiming for is some very strong joined-up thinking between government departments, making a link so the integrated strategy is building upon those particular recommendations that we've made, and making sure that, through a rural champion for example, this could be the focal point of taking on many of the recommendations that we made, which we realise are medium and long term, and they need to be worked out. It can be done; it can be worked out in a very simple structured way.

Professor Shucksmith: Let us look at the types of areas that we're making recommendations in: farming, yes, which is clearly Defra; broadband, which is, I think, the Department for Culture, Media and Sport;

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businesses, BIS; planning and housing, local government and services, CLG. Clearly, if you're going to provide a joined-up response to the issues and challenges and the potential of upland communities, then one somehow has to try to embrace all those Departments working together. What is the appropriate way of doing that? There are a number of ways you could do it: you could have somebody within the Cabinet Office; you could have somebody externally. There are different ways. The important thing for us isn't the particular model; it's that all those Departments should be working together.

Stuart Burgess: To come back to you, we struggled with this because, as Mark has said, we talked about having somebody in the Cabinet Office, and having somebody particularly responsible at that level. That is, in the end, going to be how Government will make their decision. If requested, we could fill that out and make some more recommendations around that, because we've done quite a lot of thinking already. We wouldn't want to come up with one particular model, but make sure that, across the government departments—this is the key—there is some joined-up thinking, taking up the issues of the upland communities.

Q20 Thomas Docherty: The Government are promoting the concept of localism quite a lot. How would you advise a national strategy be balanced with trying to empower communities? You've made a reference earlier on in the document to the Countryside Alliance complaining there wasn't enough actual local decision-making being made on some of the bodies.

Stuart Burgess: I think that's a very interesting question, and I'm personally committed to localism, community empowerment and the voluntary and community sector, for example, in which I've worked for many years. I come back to a key word that always speaks to me around these particular issues, "subsidiarity". The word "subsidiarity" essentially means that there are different levels where decisions are going to be made, and that they're made in the best interests for the people. Some decisions are best made locally, for example. I know the coalition Government are putting great stress on the local initiatives around housing, for example; but there are certain things in our report, we would suggest, about the national assets, for example around carbon storage and water sequestration, which would probably involve decision-making at the highest level, because some strategic, directive thinking needs to be done on those issues.

I'm totally convinced that subsidiarity, taking the decisions at the appropriate levels, is the best way forward. If you look at our report, we can see some issues, like the ones I've just referred to about housing or broadband, for example, around the community networks—although again strategic decisions around funding have to be made perhaps elsewhere. That's how I cope with both being a great believer in localism and community empowerment, but also saying there are certain decisions to be made at a different level, and perhaps a higher level, if you want to talk in those terms, than the local level.

Professor Shucksmith: I agree very much with Stuart. We're committed to localism, community engagement and community capacity-building. As we travelled around to our meetings in different regions, different upland areas, one of the themes that came through very strongly was that people in the uplands felt they didn't have a voice in decisions that were being taken in terms of national policies and even in terms of their local authorities on many occasions. They particularly pointed to national organisations like Natural England, where they felt that their local knowledge was not valued and not taken into account, and expert knowledge was imposed on them whereas, in their view, better decisions would have been reached over things like stocking rates and so on if there had been a valuing of their local knowledge as well as the expert knowledge. We're very committed to bringing local people and local knowledge into the management of the uplands and the development of upland communities.

It is not sufficient to leave that to localism, because there are processes that operate at national and even international levels, and decisions and policies that are decided nationally and internationally have huge impacts. The Common Agricultural Policy is an obvious example but, equally, decisions on funding for the Homes and Communities Agency or any of the other Spending Review decisions that were taken last week. You have to have the national as well, both so as to give power locally, but also to make these vertical connections, because there are necessarily vertical relations between the different levels of Government, and that's quite right and proper.

Q21 Thomas Docherty: You talk quite a lot in your report about the principle of a national integrated strategy, but there's not a vast amount of flesh on the bones in the report about how it would be delivered or what it would prioritise. Obviously each area has different issues and priorities. You've now touched upon this idea of, not a rural tsar, because that's counterintuitive to the idea of the quango, but a rural champion. Beyond that, what else do you see in relation to how it can or should be delivered?

Stuart Burgess: We homed in on the rural champion, mainly because I think that a national strategy has to have some focal point in it and having a person concerned. There's a sense in which this idea of having somebody who's going to have some responsibility for the upland communities has at least been picked up in the new rural unit. Whether that goes as far as we want, I doubt, because I think we need somebody right at the top level of Government, in the Cabinet Office, for example, which is very different. On the other hand, if you have a person whose focus is on promoting all that is right and good that we think is in this report, and making those connections between government departments, that must be for the good. Now, I realise you want us to put a bit more flesh on that, but there's a sense in which that is a very political question. I personally feel we would provide some more flesh if required, but I think it is for the politicians to make those particular decisions.

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Professor Shucksmith: First of all, we're not saying there should be a rural tsar; we're saying somebody should have responsibility in Government. The label of tsar has tended to be on people brought in from the outside—business people or whoever who are experts and big names. We're talking about somebody who might well be a Minister and probably would be a Minister—somebody who would have responsibility. In terms of putting flesh on the bones, I would have thought that we have these first few recommendations that are setting the conditions for change, including the new integrated strategy, the leadership and empowering communities, but then all our other recommendations are, it seems to me, putting flesh on the bones. It may be that some of them aren't as worked out as you might like. We felt, for example, that it was inappropriate to try to prescribe detailed mechanisms within the Common Agricultural Policy at a time when the Common Agricultural Policy is about to be reformed, and there will be lots of negotiations and things will fall out in ways that might be a little unpredictable. We thought we should set the principles that were desirable, rather than say, "It should be this article". For many things, we're very clear about what needs to be done, but we're happy to try to address any things that you feel are not there.

Q22 Thomas Docherty: Obviously one of the great tensions in any type of report is about longer-term goals versus shorter-term priorities or quick wins, I guess. I know the National Farmers' Union and others are urging a concentration on what can be delivered relatively quickly, with gains for the uplands. Two parts to this. Have you discussed the idea of some quick wins with Defra? Secondly, if you have, what is your advice as to what those shorter-term gains or quick wins could or might be?

Stuart Burgess: The quick wins for me would be around, certainly, a commitment, which I think is coming in Defra now, on working through an integrated strategy, whatever sort of flesh you put on that, and around the rural champion. That is something that could easily be put into place. Certainly, around the broadband issues, there may well be some quick wins, because there is a commitment from the coalition Government to broadband. Broadband is the second major issue out there in rural communities. The first one is affordable housing; the second one is broadband, without hesitation. In some areas, broadband is actually taking over from affordable housing, mainly because people have given up on affordable housing in rural communities. For example, if you go to Brancaster in Norfolk, 75% of the homes there are owned by second-home owners. There are other instances that you can pick up. Broadband is an absolute key here. With what is being rolled out and a pilot scheme being initiated, all this is good and these are the quick wins. The longer-term things are the ones I referred to, for example, in an answer around carbon storage, and obviously the CAP reform is medium to long term. It just depends how we're thinking in terms of medium and long term. That is obviously within a European context. There are some quick wins, sending out the signals to those upland communities: first, that this

report is being taken seriously; and secondly, that certain things are going to happen from it, whatever those particular things may be. This would be a strong commitment that we are on the side of upland communities, which in the past have felt pretty disadvantaged out there, and to help them.

Professor Shucksmith: I agree that the policy statement in itself will be a quick win, and that's very important. Apart from the things that Stuart has mentioned, some other potential quick wins or things that could be done fairly readily, not necessarily by Defra—they may be by other Departments—are changes to planning guidance, which can be done quite quickly. Checking that the Regional Growth Fund addresses upland areas and rural areas is something fairly imminent. Trying to change the culture within organisations like Natural England so that there is a valuing of local knowledge and working with communities, again, is something that I think is already recognised as necessary. Trying to ensure the take-up of the Uplands Entry Level Scheme and removing any remaining barriers to that. These are all things that can be done fairly quickly.

Things that take a little longer—obviously, we have to wait for CAP reform—are things that require legislation; for example, if there was to be a third purpose for National Parks, as we've suggested in the report, that, I guess, takes a little longer. Getting multi-departmental action, getting the Departments working together, may take a little while, I guess. If we're really thinking about the longer term, it is beyond the next few years, beyond the period of austerity when there is funding again, when we really have to think about investment in services and in housing.

Q23 Chair: On super-fast broadband, will that make an appreciable economic effect in the uplands and hill farms?

Stuart Burgess: I believe it will. For example, if you go to Alston Moor up in Cumbria, where I've been, where it has been rolled out, local people have been putting down fibre-optic cables linking 423 households together. Going into some of those households and also some of the rural businesses that have been developed there, it can make a huge difference.

Q24 Chair: Have you done a cost-benefit analysis at all?

Stuart Burgess: There has been one done.

Professor Shucksmith: We haven't done it ourselves, but I have some of the figures here. These are from Daniel Heery at Cybermoor in Alston. His figures are that they've surveyed a sample of businesses taking up broadband in the 24 enabled exchange areas. They've estimated that it's enabled the proportion of businesses to increase turnover to £36.8 million and GVA by £14.7 million. I think the key figures are that, in terms of value for money, it costs just 9p to generate a net additional £1 of turnover, and it costs just 23p to generate a net additional £1 of gross value added. Their research also showed an initial 25% increase in property prices when broadband was rolled out. There clearly are some quantifiable impacts.

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Q25 Chair: Could you provide that written evidence for us to incorporate, please?

Stuart Burgess: Certainly, no problem. We can certainly do that.¹

Q26 Dan Rogerson: A couple of issues: I want to follow up on the discussion about broadband and a couple of things just rounding off the discussion about leadership, which you've touched on in your reply to Thomas already. First of all on broadband, have you looked into the schemes that are being proposed? Where it isn't possible to get fibre to places and the schemes will look at satellite and other technologies, I have a concern that, given that those technologies are higher cost in terms of their operation once they're in, that will be passed on through the ISPs to customers, and therefore building in a disadvantage again for those very rural consumers. Is that something that you have a view on or have looked at, at all?

Stuart Burgess: I've picked that up, especially travelling down to the South West, with the difficulty there and the different ratio of costings. I absolutely agree with you there. Let's be honest: there is no easy answer to this, is there? You can argue on one hand and the other hand. I was asked in a meeting, if I had a pot of money, where would I put it? I would put it, if I was in Government and had a pot of money to give away, in broadband, because the knock-on effect is that the rural economy can grow tremendously. This is the spin-off and the knock-on. I can give you evidence around it. To answer your question, I think it's an incredibly difficult one. Do you have any reflection on this one? I have picked it up and resonate with exactly what you're saying.

Q27 Dan Rogerson: It is a slightly leading question, but it's leading into where there is to be some sort of public involvement and public money in doing these things, all through various schemes. The cost to the end user, regardless of where you are, in terms of the tariffs, is the same, even if the technology used is slightly different. Would you see a potential problem for people in these areas again being disadvantaged if there's a high cost?

Professor Shucksmith: Indeed, it would be a problem if that's how it worked, yes.

Stuart Burgess: I remember going to a village near Helston, where this particular point was made in a village hall. You're just echoing what I heard there.

Q28 Dan Rogerson: Coming back to the leadership issues, you've talked about how perhaps the vision that you had to pursue a national strategy would have been that a Minister would take ownership of it and do that. Other people have come up with other possibilities. The NFU has talked about problems with different circumstances in different areas and, therefore, that a forum approach might be better; some form of national forum that took over the implementation of this. What would your view be on that?

Stuart Burgess: We talked about a number of these issues, but we came down to, as Mark has rightly said,

our preferred option being a Minister in the Cabinet Office, because we came to believe that would give the upland communities the support and, if you like, the clout for the report to make a difference, but we talked about what the NFU has said as well.

Q29 Chair: Can I just interrupt and ask why the Cabinet Office and not Defra?

Professor Shucksmith: The argument and our thinking was that we need to have something that will be able to get action in all the other government departments as well as in Defra. So many of these issues are issues for other Departments. Now, it may well be that Defra will be able to influence planning and housing and other spending decisions, and CLG and decisions in BIS and so on. Often, where there are cross-cutting issues of this sort of importance, it's a Minister in the Cabinet Office, as I understand it. That's only one model and I'm sure there are people who know more about that than we do.

Stuart Burgess: It was the cross-cutting issues that we felt were pretty fundamental to all this, although a Minister in Defra could actually do it. We came to the conclusion that, if we wanted our ideal, we would go for a person in the Cabinet Office, because of the cross-cutting issues.

Q30 Thomas Docherty: For clarification on the role of this Minister, to what extent is it a full-time role or do you see it simply as embellishing another bit of the job description Ministers have? How much time do you see the Minister for uplands spending on the issue?

Stuart Burgess: I would go for 50% if you pushed me.

Professor Shucksmith: I don't know what the figure would be, but the important thing is that they are able to provide the advocacy and the point of responsibility for the uplands policy being generated, so that people in other Departments do actually work and are led. That's the important thing.

Q31 Neil Parish: The Hill Farm Allowance has gone basically, and we've moved on to the Uplands Entry Level Stewardship schemes. Are you in a position yet to really tell us what you think the effects are going to be of that? The next question is very much a back-up on that.

Professor Shucksmith: No, we're not. That's why we've called in one of our recommendations for a review at the earliest possible stage and, at the latest, by 2012, because it's clearly very important that it works, and it is a time of transition.

Stuart Burgess: It's a very important question and, indeed, we spent a lot of time talking about this, but, in the end, we realise that this is a time that a review is being sought, and we must go for it and stick with it.

Q32 Neil Parish: That leads me on to the next question really and that is that, moving from the Hill Farm Allowance, it looks like the money may go towards the landowner and not necessarily the tenant and the commoners. Of course, the commoners are very important in getting stock out on to the hill. What are your views on that, because that's so important?

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Professor Shucksmith: That's one of our worries and that point needs to be addressed. It's clearly not going to work if the money goes to the landlord rather than the tenant. I believe you'll be getting evidence from the Tenant Farmers Association on that very point. We would agree that that needs to be addressed.

Q33 Neil Parish: What would be your solution?

Professor Shucksmith: I think you'd get a better view from the Tenant Farmers Association on the detail of that. We are just aware of the problem, and whatever the appropriate solution is depends to some extent on the reforms that come through in the Common Agricultural Policy, and the ways in which money is going to be directed in the future. This is one of the areas where we tried to set out principles, rather than the precise mechanisms, I think.

Stuart Burgess: I've spent a lot of time with tenant farmers, and appreciate that, in many ways, they have particular issues and particular problems, some of which you've alluded to really. They put a lot of their hope in CAP reform, and what's going to happen over the future of CAP, because they realise they are in an incredibly difficult situation, which they are in many places, certainly up in the upland areas. That's their hope at the moment but, I guess, as Mark has rightly said, you are hearing from them first hand.

Q34 Chair: Could I just intervene and ask a general question and then a specific question? On the CAP, I understand that we are unique in having difficulties in the monies percolating down to the tenant farmers. Is that a correct understanding?

Stuart Burgess: That's my understanding.

Professor Shucksmith: That's my understanding.

Q35 Chair: We really need to make representations in the reform to make sure that that is impressed upon them?

Stuart Burgess: Yes.

Q36 Chair: I know you took evidence in Cumbria, and I think you'll be familiar with the situation in North Yorkshire. There's a rather alarming development developing among the commoners, between certain landlords and certain of the commoners. It's causing real concern. I have to say that some Upland Entry Level Stewardship schemes are still not in place, because they've not reached an agreement. I know the work of the Tenant Farmers Association and I applaud the work, but who should be intervening to support the tenant? I know in North Yorkshire we have a Court Leet, which is a rather splendid—

Stuart Burgess: A splendid title.

Chair: A splendid person as well. Who do you believe should be representing the rights of tenants in these negotiations that, in the two areas I'm aware of, are not reaching a conclusion? You can confer among yourselves.

Professor Shucksmith: I don't think we know. We spoke to commoners and we heard a lot of very effective and convincing evidence from commoners and from tenant farmers, and we were very sympathetic to their point of view. The question that

you've asked as to who should be representing them in this point, I don't think we have a view on.

Chair: I'm happy to represent mine.

Stuart Burgess: Sorry about that.

Chair: That's very kind of you.

Q37 Neil Parish: This question is very much linked in a way, and that is about stocking rates and local stocking rates. I represent Devon and part of the West Country, where you can argue that the stocking rates perhaps need to be higher because of the mild climate. How do you get a non-bureaucratic system that deals with this? If we don't get the right stocking rates, you don't get the land looked after properly from an environmental point of view. You don't, in the long run, possibly get access to your countryside either. If you go to some parts of Dartmoor and Exmoor, you see it's so overgrown. What would be your idea there?

Professor Shucksmith: This came up at every regional meeting, the issue of stocking rates and the de-stocking of the hills to levels that farmers told us were below the optimal level. They were looking forward confidently to being able to prove the Natural England experts wrong in the future. Now, of course we weren't going out to look at the hills. We're not environmental experts. We couldn't say that one is right or one is wrong. All we can say is that we were continually told, everywhere we went, that expert knowledge was applied in the face of local knowledge, and that this was a cause of resentment. We were also given lots of stories of how this then did lead to "what we told you all along", sort of thing. Now, it seemed to us that we're not the people to say the stocking rate should be this or that. What we would advocate is that there should be greater recognition of local knowledge, bringing together and recognising the mutual value of expert knowledge and local knowledge. One of the quotations that stuck in our mind was somebody said, "These people, they come out here fresh out of university"—speaking as somebody who works in the university teaching students—"and they're extremely educated and knowledgeable about everything, except experience." This did seem to us to resonate.

Our view is that what you need to try to achieve is, first of all, a cultural change on the part of the organisations that make these decisions, so that they admit the value of local knowledge and experience. Secondly, perhaps move towards more participative approaches in general. There were a number of experiments that we had presented to us. For example, farmers in the catchment area around Loweswater—and there were other catchment-area-based approaches—worked together with officials from the relevant Government agencies on what would be a good way of approaching the management of the resources. Stocking rate was one of the elements in that. We would like to see more examples, more trialling of that sort of approach, and more support for that sort of approach.

Stuart Burgess: It's interesting that down in Devon this is a particular issue.

Neil Parish: It is, for the commoners as well as the farmers.

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Stuart Burgess: Absolutely. I've spent many hours with many farmers down there, on this very issue. I think one has to be a little wary of some local knowledge. On the other hand, it's not just about local knowledge; it's also local wisdom. Wisdom is, I think, quite different from knowledge, and it is the wisdom and experience coming out of some of those farmers down in Devon and down in the South West, which they feel and I also felt was not really being recognised in the places that it should be. I resonate exactly with what we've said.

Professor Shucksmith: Could I point you to the bottom of page 93, top of page 94, in our report, which deals with these and provides some quotes on these points?

Q38 Neil Parish: Can I ask you one that's sort of linked, I think, to stocking rates? Did you look at all—probably you didn't—to Wales and Scotland? The reason I ask you this question—it's a loaded one—is that the system of payment, as you well know, moved from being on per sheep, per suckler cow, and all went into the Single Farm Payment. The Welsh farmers and the Scottish farmers were paid on a historic basis, whereas the English farmers have this complicated system of seriously disadvantaged, non-seriously disadvantaged and Moorland Line, and so the farmers, in a way, have not only lost out through perhaps Hill Farm payment, but they're also losing out on stocking rate through this spreading of the payment. I think that needs to be looked at again. Of course, you talk about further reform of CAP, but did you look at something called Article 68?

Stuart Burgess: We did.

Q39 Neil Parish: What's your conclusion?

Stuart Burgess: We did, but can I just make a comment about Wales and Scotland? We have to be pretty careful here, because we're only concerned for England. On the other hand, we went into the borderland around Herefordshire, for example, and we also had papers coming out of Wales. Mark did the crofting report up in Scotland, so we were well connected from that point of view, but we have to be a little careful, as I'm sure you would very much appreciate. Mark will probably fill in.

Professor Shucksmith: I'm not sure that I can immediately give you chapter and verse on Article 68. It's a while since I looked at that. It was one of the possibilities, as I'm trying to recall. That's one of the possibilities where you can top slice the Single Farm Payment. I would think that's worth exploring. Certainly, when I chaired the Commission inquiry into the future of crofting in Scotland, and straying from my CRC hat here, we recommended that Article 68 should be used as a means of trying to support farming in the remote rural areas of Scotland. I can't speak about Wales but, in Scotland, I have in my possession maps of where the Less Favoured Area payments go in Scotland compared with where the high nature value and the public goods are. They're not to the same places: the Less Favoured Area payments in Scotland were kept on a historic basis and, as I recall, the formula that decides where they go to was the result of many iterations and applications of the

formula, until they got a formula that gave the money to the same people who'd always had it. There's a real issue there about the targeting of the LFA payments, but that's not the point you're making; they have stuck with the historic basis.

Q40 Neil Parish: Bluntly, do you consider the Scottish hill farmer is getting a better payment in the end than the English hill farmer is?

Professor Shucksmith: It depends very much where they are in Scotland. If they're in the southern uplands, then probably yes, I guess. I haven't done the calculation, so it's a tentative "yes". If they're a crofter in some of the areas with the greatest high-nature value, certainly not.

Q41 Thomas Docherty: Forgive me if I've misunderstood this, but at the moment, farmers are told what they are to do very clearly on stocking rates, rather than an approach that says, "This is the outcome we want to achieve and we'll leave it up to you; give you local flexibility to determine how you would achieve that outcome." Could I put to you that it might be more effective if the emphasis was shifted, so that it was the latter approach that simply says, "This is the goal. You, as the farmer, would be able to use your local knowledge to decide how to do it"?

Stuart Burgess: Absolutely, that is what I support.

Professor Shucksmith: We've discussed this at length, and we're all in agreement on that point. Quite apart from being focused on the outcomes and giving greater freedom, responsibility and initiative to farmers—an approach they would almost certainly welcome, so long as the outcome measures were ones that were appropriate—the other great virtue of that method is that it encourages innovation and diversity, so that the likelihood is that different people would try different ways of trying to reach those outcomes. That could be a learning experience, so we might find better ways of doing it. We're very much in favour of that.

Q42 Chair: Could I just ask a question linking stocking to the common land? Where the graziers have rights in perpetuity, would you agree that should be continued without interference from the landowner or the landlord, in other respects, who may have other rights on the land?

Professor Shucksmith: Indeed, yes. Clearly there are complex issues around trying to negotiate reductions in stocking rates or increases in stocking rates over common land, but we wouldn't wish to challenge the principle that the rights should remain.

Chair: Thank you very much. That was very helpful.

Q43 Neil Parish: Research and development in the uplands: what are the key themes that you refer to in your recommendations? You've also been talking about ruminants in particular and how to make better use of that.

Stuart Burgess: Could we just pause for a moment? Forgive us.

Neil Parish: Who should fund it? Should it be Government? Should it be private business?

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Professor Shucksmith: These are our recommendations 6.4, 6.5 and so on. These were very much ideas developed by one of our colleagues, Howard Petch, who you may know. He was extremely worried to find that, in his view and I think we all share this view, there was no comparable research and development going on into advancing hill farming, compared with what there had been in lowland farming. One aspect of that would be the fact that there is now no longer an experimental husbandry farm. There used to be the Redesdale Experimental Husbandry Farm. He was worried also that there seems to be no degree-level courses in hill farming in any of the colleges. He felt, and this was confirmed by people who we spoke to, that there was a lack of research and development specifically into hill farming practices and the training of future generations of hill farmers.

Stuart Burgess: I've been around most of the agricultural colleges in this country, and I know that Howard Petch and others have felt very strongly that one land-based college should take the lead in all this and be particularly concerned with the future of hill farming. I know there has been a lot of concern over the potential loss of Newton Rigg for example, up in Cumbria, because some people had identified that as a way in which a land-based college, set in Cumbria as well, could be used for apprenticeships and training in hill farming. There's a sense that potential and opportunity could now be lost. We must look for other opportunities, because I think it is about education. It is about the realisation that many young farmers, and I'm very committed to young farmers—I think there are some fantastic people out there—have grasped the idea of a new business acumen, and are really going for it. I come across so many young farmers who want to spend their time up on the hills, which for many people may sound very strange and very odd, but some people are very committed to this. How are we going to facilitate that? How are we going to help that? How are we going to make sure that there is some kind of succession going on in the future? The idea of promoting a land-based agricultural college, which would specialise and put great emphasis upon the training, the resourcing and especially providing apprenticeships, we thought, would be a marvellous opportunity.

Q44 Neil Parish: One of the problems, and it goes around and around in circles, is the income of hill farmers is low. You have statistics of £10,000. Farmers and young farmers don't go into it just for the money. On the other hand, they have to have a living for their families. That's one of the problems, and it's probably because colleges aren't providing the courses because the students aren't necessarily there. Somehow or other, we have to stimulate that whole thing. Do you have any ideas on that one?

Stuart Burgess: I know this is difficult but it can be achieved in areas where some people get the hill farmers to diversify, and many of them have diversified. In the more remote areas of the hill farming community, it's more difficult to do that. In the not so remote areas in the uplands, diversification has helped enormously, and some of the young

farmers are the pioneers in all this also. They diversify only, for example, if they have good broadband access and mobile phone coverage. This facilitates and this helps build up their businesses and so on. Many people in hill farming, yes, are hill farming, but they want to do other things also and they realise that. It is a bit of a chicken-and-egg question. On the other hand, what we've tried to say in our report is there is huge potential out there, and it's long-term potential as well as short-term potential or medium-term potential. I say broadband and CAP reform are maybe short term and medium term. Longer term, we're into carbon storage and water sequestration, which may help fund and maintain those young hill farmers, who we desperately want in the future in England.

Q45 Neil Parish: One final point on it: who will pay for the college? How are you going to fund the college?

Stuart Burgess: There's a sense in which many of these agricultural colleges, as people around the room will be aware, have already diversified. For example, you can go to Bishop Burton College near Beverley, which is diversification personified. What they're saying there is, where they're making the money, for example in equine, that will subsidise areas to which they find it more difficult to attract students, for example, or provide bursaries. This is part of the total package, rather than saying we can't possibly do it. There are opportunities and there are ways of doing it. Bishop Burton College is one among many, like Harper Adams, for example, that are really pushing out the boat in very innovative ways. It can be done.

Professor Shucksmith: Could I just add that, where there are subjects that are regarded as vitally important to the national interest, and the value assets of the hills and uplands may be in that category, then, it would seem to me, that is the prime case for Government support, and I think that's accepted by this Government, as it was by the past Government. There's a question about what are the things that are deemed worthy of support, but I think that's important to say.

Q46 Chair: How easy do you think it is for new entrants to come into hill farming and upland farming? In my experience, nearly all the people at the local Askham Bryan College are those who are sons and daughters of farmers, but there are strands and the media do follow some of the good news stories. How easy is it for new entrants to enter into hill farming or upland farming generally?

Stuart Burgess: I don't think it's particularly easy. We ought to be up front about this. Having said that, and we talked a good deal about this, we need to make hill farming attractive. We have to make farming attractive per se, across the board, for the future, but particularly hill farming, for which we realise there are particular disadvantages. Some people would name it as such, in terms of living in sparse rural communities, for example, without many of the services. On the other hand, what are the great potentials out there? There are many, in terms of the sheer quality of life issues that people have spoken to me about and the innovation that young people are

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bringing to the farming community more generally. They want to be inspired, and we need to help them to be so inspired.

Q47 Chair: Could I also press you? A couple of times you've mentioned, and it's a theme throughout your report, both carbon and water storage in upland areas. Now, I found that immensely attractive, but the only scheme that I'm aware of is the one in my own constituency of a flood protection project at Pickering. They're going to work with the railway line. They're going to create bogs, if you'll pardon the expression, peat bogs. They're going to plant trees and they're going to put bungs along lakes and dams along the railway line. Do you think there is more scope for that, particularly when we come on to discuss the CAP reform at the moment? I'm a little bit concerned. If the Forestry Commission is going to go, and obviously we wait to see the details, they're heavily involved in this scheme, because the Forestry Commission will be planting the trees. Trees, as we know, retain water. Do you have any other examples like that, because it is a very powerful theme throughout your report? I wondered if you had any examples that you could use.

Stuart Burgess: I go back, if I may, to the answer in which I referred to the University of Nottingham and the work they're doing there. Again, I'm no expert in this, I'm no scientist, but I was really taken by the work that they're doing in the university. My understanding is that the upland and peatland areas have to be mapped to find out their potential in terms of carbon storage. Now, that process is just beginning, but they have to do that piece of work first, before they can then say that this is a particular area that is going to be valuable to us. All their research is showing at the moment that there is huge potential out there, around carbon storage, in upland areas.

Q48 Chair: Water storage also? The University of Durham I know does this.

Stuart Burgess: Water sequestration, absolutely. I think the two go together, but I think we're at the early stages of this, in its development, but I personally am very excited about it.

Professor Shucksmith: The point you asked first was for a specific example. On page 90 of our report, we have a small case study of the sustainable catchment management programme in Bowland and the Peak District, which has some of those objectives to it.

Q49 Amber Rudd: On CAP reform, what outcomes would you like to see to benefit the uplands?

Professor Shucksmith: There are several things to say here. The first and most important would be higher remuneration for hill farming, such that hill farmers are able to continue looking after the valued assets. The likelihood is that would be either through the agri-environmental schemes in Pillar 2 or through some change to the Single Farm Payments in Pillar 1. In a sense, it doesn't matter to us which of those it is. That's very clear, and I think we said in our report that other European countries have been able to use the existing CAP mechanisms to reward hill farmers rather more generously and more effectively to keep

them in business. There is work that has been done on that, which we were citing, by the IEEP, the Institute for European Environmental Policy, by David Baldock and his colleagues. We could say more about that, if you like.

Apart from that measure, there are other aspects that are equally important. In our report, we've tried, as I said at the outset, to emphasise the importance of upland communities as the society and the economy within which land managers exist. There's a question about how will upland communities be supported through the CAP. There are measures at the moment within Pillar 2. I'm thinking particularly of Axes 3 and 4. Those are measures that we would look to see expanded in the future, with a broader menu of possible measures. You could envisage much more support for upland communities coming through that. Whether that will happen, I don't know, because clearly those are aspects of the Common Agricultural Policy that tend to be squeezed, because they don't have interest groups lobbying quite so strongly for them. Indeed, I think those are the very areas that are likely to be squeezed in our spending review, in the announcements that were made last week, with the Rural Development Programme for England, I think I'm right in saying, being cut by 33%, but the Uplands Entry Level scheme having enhanced funding. Presumably Axes 1, 3 and 4 are going to be squeezed in this country in the next few years.

Q50 Neil Parish: The Single Farm Payment: I'm afraid I'm a bit of an expert on these matters, as I spent 10 years in the European Parliament and chaired the Agriculture Committee for two and a half years. The Single Farm Payment is very much an English hybrid. There is nothing stopping us really because, as far as I can see, the new CAP reform ain't going to amount to a hill of beans in the end, if you look at it, to use an American expression. It's not going far enough. We can take this existing Single Farm Payment if we wanted to. We could combine the non-seriously disadvantaged areas and the seriously disadvantaged areas in one, and give them an average payment. Then you would shift money back towards the hills.

Margaret Beckett didn't mean to do it in many respects, but one of the things that did happen when she averaged these payments was that potato-growers in East Anglia, who previously under the old system never got any payment at all, suddenly got a payment, and she took away monies that were on livestock, like the sheep premium and the suckler cow premium. Lots of those came off the hills, and they lost out significantly. There is a way of pushing that back again. My own NFU would probably shoot me for these comments, but there is a fairness in this. If you are having a Single Farm Payment that's looking after and managing the countryside, nowhere in many respects is more deserving than the uplands. Would you be as radical as that or what?

Stuart Burgess: I personally would be as radical as long as the policy is fair. That was the word you used. I agree with you, if there is flexibility in the Single Farm Payment, then why not?

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Professor Shucksmith: I agree. I think we, as a group, felt that we would want to be radical in those sorts of ways. There are several different ways you could achieve it, and that would be one of them. Any of those we would support.

Q51 Chair: Can I just press you? Having been brought up in the uplands of the Pennines, it's animal production that they are dependent on. Thirsk Auction Mart is the largest stock mart in the country. Should we not be encouraging them to produce lambs and to have the cows born there, before they're brought down? I take slight issue with my colleague that I think we have to keep quite a strong emphasis on food production and animal production in the hills, rather than just environmental schemes. It's trying to reach a balance, I think, between the two. Personally, I don't think we want to lose all of Pillar 1. I'd be very concerned if Pillar 1 was watered down completely. That's a personal view, not a party political view. I don't know if you would share that.

Stuart Burgess: I will agree with you that holding the balance is very important. I would also agree, mainly because of the work I've done in Africa, that food production in the future is going to be of the essence, whether we like it or not. We're going to be forced into the situation that, in the next 20 to 30 years, the population is going to grow by a third, over 3 billion people. That is going to be the main driver, because people want to eat and must eat to survive. Whether we like it or not, I think that the food issues—and we may talk about “food challenge” rather than “food security”—the food challenge is going to be essential and important for us to get a grip on. In a sense, what we need to do is have a balance and hold that balance with environmental issues. On the other hand, I think people in the poorer countries will drive this and say, “We have to eat, and eating comes right at the top of our list.” We know ourselves it's right at the top of everybody's list. Ideally, we hold a balance, and that balance is between the food challenge and the environment. In the end, we have to produce food.

Q52 Chair: It would be music to my farmers' ears. Do you think this would be a good opportunity to simplify the whole administration of the Common Agricultural Policy and remove some of the gold-plating? In the reforming of the CAP, would it benefit the uplands if we removed some of the gold-plating?

Professor Shucksmith: It would depend which. Everybody is in favour of simplifying the Common Agricultural Policy, particularly in removing some of the administrative burden on farmers, which is substantial. The devil is in the detail, so it's a question of which particular changes you had in mind really.

Q53 Amber Rudd: I wanted to ask about the abolition of the RDAs, and whether they had played an important role in upland communities. Do you see it as relevant that they're now going? What role might the Local Enterprise Partnerships have, which are replacing them?

Professor Shucksmith: I think that's a very important question. The RDAs were very variable in how much they were involved in the uplands. In my own region,

the North East, One NorthEast was very helpful. I know that you've heard evidence from Barnard Castle Vision, for example, where One NorthEast had been instrumental in helping them with super-fast broadband and trying to build an integrated project there. They've been good; some other RDAs, perhaps not so.

Going forward, we have a real worry. We wonder will the Local Enterprise Partnerships (LEPs) cover the uplands. Will they have any interest in the uplands? In the North East again, it appears, the mood music seems to be, that they will be based on the city regions. They'll be very much based on Teesside and Tyneside. There's a question about whether they'll be interested in the uplands and the remoter rural areas at all and, yet, it's absolutely crucial that they should be, and that the Regional Growth Fund is reaching the uplands. In some areas, it may not make much difference that the RDAs went, but in a sense it's going forward to the LEPs and local authorities in future, to the extent that they're responsible for economic development. In many places we went to, people in the uplands said, “The local authority isn't really interested in us.” In other areas, they were, so there's a very uneven contribution made by RDAs and local authorities. We would look for some national championing, and some rural and upland proofing of those.

Stuart Burgess: From the coalition Government, there's going to be a lot of emphasis on local authorities now, and that is clear. Local authorities are having to rethink their own strategies as it were. Especially in the upland communities, they'd never really faced up to some of the issues that I think they're having to face up to. That may be a good thing, but they may need a good deal of support and help to take that on board. That's part of our concern. If the focus is going to be local authorities, which obviously it's going to be in many areas, a good deal of support and encouragement needs to be given.

Q54 Chair: In the intervening period, before the LEPs are introduced, who will be the delivery arm, do you believe, for the Rural Development Programmes in this transitional phase?

Professor Shucksmith: That might be a question for Defra.

Stuart Burgess: I'm not quite sure we can answer that one.

Q55 Chair: You refer to the Barnard Castle Vision, and it's interesting that you mentioned broadband was partially supported because, of course, they're very close to the exchange. Is it not more helpful to provide the money to those villages and dales that are farther away from the exchange that have such a slow broadband delivery?

Professor Shucksmith: My understanding, although I don't know the details—in fact, there's as much in the evidence that they sent you as I know, so you have that—but my understanding is that Vision extends up the dale. It's not just for Barnard Castle. That is very important. To add a word or two, in the spring before last, on the first sunny weekend day of the year, I drove up Teesdale and was struck by what a fantastic

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place it is. I was struck by how empty it was and what potential it had, if only there was super-fast broadband and the other elements of infrastructure there, which could attract people to come and live and work, set up businesses working from home in this fantastic environment, and how easy it would be to enable that and what the pay-off would be. I just think that that could be a pilot and a lesson to us all, if Barnard Castle Vision's work there were to succeed up the dale.

Q56 Chair: I'm delighted that North Yorkshire is a pilot project.

Stuart Burgess: I think young people need broadband and mobile phone coverage as well. I stress young people here because, certainly from an educational point of view, we went to a number of places where obviously during the school session they have broadband in school, for example, but when that system closes down and some of the young people go back to their upland community areas, they have no broadband access there to enable them to do their homework, for example. There's an educational dimension to this as well.

Professor Shucksmith: There was a wonderful quote we had from a girl at school, who could do her homework if she took her computer up to the top of the hill—

Chair:—in the rain. You are right that they are allocating it to Digital Dale, but we'll obviously monitor how the pilot project goes. Thank you.

Q57 Thomas Docherty: National Parks, I'm very interested in that. I'm of Cumbrian upbringing. If you asked most people who live in Copeland and Allerdale what they think of the National Park Authorities, the Friends of the Lake District and the National Trust, they will tell you that, historically, those organisations have prioritised what's called the pencil-tin approach to the Lake District. They use that phrase because, in Kendal for example, there are long-standing fights between Rexel and the Friends of the Lake District. I'm not sure that you've seen the written submissions that some of those organisations have made, but they question the need for the change to the statutory powers of the National Park Authorities. My understanding is you're recommending that great emphasis be placed on social and economic, and that there should be—correct me if I'm wrong here—a rebalancing, so that it's not just about those who visit or retire to the National Park, but those who wish to raise their families and work in the National Park. Have I understood you correctly on that point?

Stuart Burgess: Absolutely, yes.

Q58 Thomas Docherty: The second point is to what extent do you think at the moment the National Park is achieving that balance, between those who need to make a living and raise their family, and those who see it more as a tourist destination or retirement area?

Stuart Burgess: There's a difference, in my own experience of travelling around the different National Parks, of emphases. Some National Parks put a strong emphasis on tourism and also conservation, whereas other National Parks are trying to be a little more,

from my perspective, innovative, trying to say, "Okay, there is something very beautiful and valuable about National Parks, but if we're not careful we're going to see them as museum pieces in the future." I firmly believe that, historically, all rural communities have evolved through generations and centuries. Just to preserve the National Parks per se is quite wrong. Again, it's holding the balance. This is a phrase I've used already: holding the balance between those two opposite feelings. In holding the balance, there has to be innovation; there has to be more flexibility in terms of planning, for example, and more realisation that these are places where people live, but they can also work and enjoy the sheer beauty of the countryside. It is holding that balance between those tensions, which is not easy, I must admit.

Professor Shucksmith: Can I just add to that? I'm familiar with the way that Friends of the Lake District tend to be referred to locally as the Fiends of the Lake District. My view is that, when the National Parks legislation was established, we didn't think about sustainable development in the way that we do today. People thought that it was possible to protect and keep in aspic the very visual aspects of the landscape, which have always been prioritised. We have a much better understanding now, and that understanding of sustainable development is about the interlocking, economic, social and environmental systems. We have an understanding of sustainable development comprising these three different elements.

Talking during the course of the inquiry to the Chief Executive of the Lake District National Park, he has a very exciting vision, and the Park Authority has a very exciting vision, of wanting the Lake District to be a model for sustainable development. In his view, when he spoke to us, the lack of an economic and a social objective with the same priority as the existing statutory objective is an obstacle to pursuing the sustainable development of the Lake District National Park. I don't know whether other National Parks have the same view of that but, it seemed to us, that it's important that we would be able to have modern thinking about National Parks, in the same way as we do the rest of the country, and to prioritise economic and social objectives with equal weight to the environmental aspects.

You ask how much they're doing that already. We mentioned in our report that the Sustainable Development Fund, which since 2003 has been available, has been applied in some of the National Parks. That's an encouraging sign but, nevertheless, if you look at an issue like affordable housing, I don't think there has been any affordable housing built in the Northumberland National Park within the last 20 to 30 years—not one house, as I understand it. In the Lake District, it takes forever. I think it took 14 years to get agreement in Threlkeld to provide any affordable housing. There is fantastic work being done by organisations like the Cumbria Rural Housing Trust in places like Coniston and so on, but it is really difficult. The CRC did a study three or four years ago about housing in the National Parks, which showed how difficult a process it is, given the way that the statutory objectives are set at the moment. I think in some places there's a willingness to try to rebalance

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these, and a feeling that this legislation that we've called for would be assistance. In other National Parks, a different view may be taken.

Q59 Thomas Docherty: On page 77 you have a recommendation about the Park Authorities being enablers, but you want them to have equal status between the two functions. How specifically do you deliver that equal status?

Professor Shucksmith: Specifically, you would require an amendment to the legislation, which changes it. At the moment, you have two statutory purposes for National Parks, which are the conservation of the natural and cultural heritage essentially—it's a bit longer than that verbatim—and the second is promoting access and enjoyment of the countryside. In pursuing those, you have at the moment to have regard to the economic and social interests of the area. If that was no longer "having a regard to", but was given the status of a third equal objective, that's what we'd recommend.

Stuart Burgess: Having travelled around all the National Parks now, I think I came to the conclusion that we either stay as we are or we're challenged by some of the things we are proposing, and indeed others who are forward thinking in this, and try to say ourselves, "These places ought to be vibrant places and communities. Let us see what we can do to make them so." That's important to me.

Q60 Neil Parish: Do they have too much power, the National Park Authority?

Q61 Chair: Do you agree with the fact that it's the only planning authority that includes, on the authority, those who live or who have businesses outside the area, who may be competing with businesses inside the area? Do you think that's fair?

Professor Shucksmith: I don't know if that's the case. I don't know if other planning authorities can't have people—

Chair: I believe it's the case. I think for other planning authorities you have to live there to be elected as a member.

Professor Shucksmith: Are you thinking of the ministerial appointees?

Thomas Docherty: You can be a councillor if you have significant work in a local authority.

Chair: It is probably appointed. It is frequently raised to me, as a newcomer to a large part of the National Park, that it can inherently be uncompetitive.

Thomas Docherty: It's also because they don't have a stake in making it work.

Chair: They don't have to live there and live with the consequences of their decisions.

Q62 Neil Parish: Will you answer my question?

Stuart Burgess: Do they have too much power?

Neil Parish: Yes.

Stuart Burgess: They are interpreting those two statutory requirements. In many ways, they are interpreting those, in my estimation, quite narrowly. What we're trying to do is to add a third, which would encourage them and make them think much wider than those two at the moment. Having a third one

would, I think, provide the impetus to what we're saying about providing some vibrancy in the National Parks.

Q63 Neil Parish: Would that change them, if you don't change their ethos?

Chair: Would you agree to my question that the composition should be changed?

Stuart Burgess: That the composition should change? Yes, I would go for a change of composition.

Professor Shucksmith: There is the review going on at the moment of the governance of National Parks. I believe that Defra is going to report on that in January, or make their proposals in January.

Chair: We'll have an opportunity to ask them.

Professor Shucksmith: I was just going to say that the rationale for having ministerial appointees is that there is a national interest in the National Parks, as well as a local interest. That argument, it seems to me, is widely accepted. There's the question of what proportion that should be and whether the local representatives should be directly elected to the National Park, or whether they should be appointed in the way they are at the moment.

Q64 Dan Rogerson: Part of your recommendation 4.1 is about rewarding farmers for managing national assets in harmony with developing business and market enterprise. Do you want to say a little bit more about what a national asset is?

Professor Shucksmith: The national assets we tried to set out, right at the beginning of the report, in terms of things that the public value particularly about National Parks and upland areas more generally. That would include the landscape, wildlife, biodiversity, water resources, carbon storage, all those environmental public goods, which are the most readily known. It seems to us it also includes many aspects other than environmental assets, such as cultural heritage. Rural areas and the upland areas in particular are often thought to embody aspects of national identity and even spiritual aspects, if you go back to Wordsworth and *The Prelude*. There are many aspects of the uplands that are seen as valuable public assets, environmental, social and cultural. We also believe there are economic aspects, and that there is a potential for things, not just food but including food, to be produced and sold to markets. They're not necessarily things that require public subsidy, public support. Some things there can be supported by the market as well.

Q65 Dan Rogerson: Do you think there are potential conflicts between, as you mention, the cultural assets that people feel a great affinity for, and the landscape value and those sorts of assets, and, for example, energy generation? That's something that's controversial in my constituency and many others as well. How do you think you could balance those things, and how could landowners, farmers and those who manage it be rewarded?

Stuart Burgess: Probably with great difficulty, having been at a particular meeting in the South West where, on this particular occasion, this was a big issue. I totally agree with you. I came to the conclusion that

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many people are against new energy resourcing ideas, like they are against affordable housing: it's much better to do it in other places, but not here. There is this balancing act and I think that what we have to say is there is no particular inherent conflict, or there shouldn't be, but in many ways it is generated by local people who may want to home in on particular issues. My plea would be that these are the general ideas that we embrace and are important—these marvellous assets that we have out there in upland areas—but there are also the particular challenges that you've identified; somehow, we have to try to find a way through. It's not going to be easy; it's going to be pretty difficult, but I hope that it can be managed.

Q66 Dan Rogerson: If you were going to reward people or recognise the contribution they make in caring for this, how do you quantify what contribution they've made? In some of the other areas, it's easier to recognise—biodiversity, for example. How do you quantify these things?

Professor Shucksmith: We spent a whole day taking evidence from economists about exactly this question, and we came to the conclusion at the end of the day—in fact one of the professors of economics came to the conclusion—that the science of economics and environmental economics is not yet up to the task. We reached a dead end there in terms of how you quantify the benefits and reward people if you have to measure it on the basis of the marginal value of the benefits; without going into the technicalities of the different economic approaches, that seemed to be a dead end. One has to think instead about how you try to ensure those public assets are managed. It takes us back to

the issue raised earlier on of trying to ensure the continuity of the farm business. That seems to us to be the litmus test, in a sense.

Q67 Dan Rogerson: Is that something that's been attempted anywhere else, in any other countries? Have they looked at ways in which they can quantify it? In your discussions on that day, did you have evidence from people elsewhere?

Professor Shucksmith: Not on that day, but there is evidence provided by the Institute for European Environmental Policy. In 2005, they did a review of the Less Favoured Schemes (LFA) schemes applied in each of the European Union member states, and they have a chapter on the levels of compensation, and lots and lots of tables explaining the many and varied ways in which different countries do it. Two messages come out strongly here. One is that, in some countries, they're much more generous than we are, paying five or six times the level of support per hectare that we do. The other main message is the huge flexibility we could take advantage of, when you look at the flexibility in the way these rules are applied across Europe. I would point the Committee towards that source.

Chair: May I thank you very much indeed, and everybody involved in the meeting, for staying and being such good witnesses? We look forward to hearing from you again, and we'd like to thank you for all the work you've done in the report. We hope to have the opportunity to have two bites of the cherry—a little report and then a longer report next year—to build up on the work that you've done. Thank you very much indeed.

Wednesday 10 November 2010

Members present:

Miss Anne McIntosh (Chair)

Tom Blenkinsop
Richard Drax
George Eustice
Mrs Mary Glendon

Neil Parish
Dan Rogerson
Amber Rudd

Examination of Witnesses

Witnesses: **George Dunn**, Chief Executive, and **Mike Keeble**, Uplands Spokesman, Tenant Farmers Association, gave evidence.

Q68 Chair: I welcome you both most warmly. George and Mike, would you like to introduce yourselves formally for the record?

George Dunn: Thank you very much. My name is George Dunn; I am the Chief Executive of the Tenant Farmers Association. On my left is Mr Mike Keeble who, among other things, is a member of the association's executive committee. He has special responsibility within our organisation to brief us and others on uplands issues. Mike has a wide range of experience not just as a farmer but as a journalist and various other projects in which he is involved.

Q69 Chair: This is the first time recently that the Committee has had the opportunity to look at upland and hill farming, so we are delighted you are here before us and are to about to share your thoughts with us. How would you define uplands for your purposes?

Mike Keeble: It is one of the most valuable, sustainable resources in this country capable of producing an awful lot of cheap solar-powered protein, but at the moment it is running down rather fast. That is how I would sum it up.

Q70 Chair: Do you think tenants get a fair deal in England as opposed to elsewhere in the European Union?

George Dunn: We have a unique landlord and tenant system in England and Wales. That system is very complex because we have a set of tenants who have security of tenure either for their lifetime or for future generations, but the more recent tenants are those who have been on farm business tenancies since 1995 where the average length of term is three and a half years. In terms of the cycle of land management in the uplands three and a half years is no time at all, so for a category of tenants, certainly the newer ones, we are concerned that in upland areas they get quite a raw deal.

Q71 Tom Blenkinsop: Are hill farmers subject to unique pressures compared with other grazing livestock enterprises?

George Dunn: The uplands are unique in a number of aspects: they are physically remote from the rest of the country; the climatic conditions are variable and quite extreme; they are economically remote and tend to be hard places from which to make a living; and the opportunities are very narrow in terms of what you can do with the land. As a farmer you really have only

grazing livestock as your option in the uplands, so as compared with elsewhere in the country they present a unique set of issues that needs to be looked at specifically in relation to how agricultural policy should be developed.

Q72 Tom Blenkinsop: What would be the easy wins or gains to improve the situation for upland farmers?

George Dunn: As for easy wins, let us take the example of a scheme that is operating at the moment, Uplands ELS, that replaced the Hill Farm Allowance, which in turn replaced the Hill Livestock Compensatory Allowances. HLCAs provided an income per head of stock, HFA per area, and then the uplands entry level scheme was put in place as an add-on to the entry level scheme. When the uplands ELS was first mooted by Defra to replace the HFA we were very concerned about the impact upon the tenanted sector.

The reasons were twofold: first, to get into uplands ELS you needed to have at least five years' security, or the willingness of your landlord to agree to your entry. Very often that willingness was not on the horizon, so you really needed to have five years' security. When we talk about tenancies, as I said in answer to the Chairman's question, on average they are of three and a half years' duration, and it is very difficult to get into that scheme on that basis.

Secondly, we were aware that a lot of landlords already were in the entry level scheme itself and therefore the tenants of those landlords would be debarred from getting into uplands ELS. We said to Defra they needed to rethink the nature of the scheme. To be fair to the previous Secretary of State, he gave us a year to look at the issues. The Tenancy Reform Industry Group, of which the TFA is a member, looked at the issues and provided some reasonable guidance to Defra, but unfortunately from our perspective the Defra officials dug in their heels and said that they had the scheme, the Minister had already signed it off and they would run it the way it was.

We would ask for two things: first, the only people who should have access to uplands ELS or ELS as a standard are working farmers. Landlords have indirect management control by putting clauses in tenancy agreements that require tenants to do certain things that enable landlords to get the money. That is not an appropriate use of public funds from our perspective. Therefore, a very quick win for us would be a change

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of the rules on management control to ensure that any agri-environment money went to working farmers on the ground as opposed to landlords. Mike, would you agree with that?

Mike Keeble: To a degree I do. George is, quite rightly, accepting the status quo, but it is rather perverse if you realise that most of the uplands are tenanted mainly because of large shooting estates and landowners like the National Trust and the MoD. The ELS on the whole is really about the capital of the land; it is about improving the land, the walls and woods and making the shooting better. It is doing all those things; it is not doing anything for production. Yet it is production that the tenant has to be in. All the capital that he has involved in his business is in livestock; it is on four legs and the equipment that goes with it. Until we get back to something that accepts production on the hills and the uplands, we will still have problems. A lot of the environmental grants are all very well if you are an owner-occupier farmer because you are appreciating the capital of your property, but as a tenant you have two rents to pay annually. The agents ain't being very kind about that at the moment because of what they think of land prices and that sort of thing. We must get back to focusing on production and not the land.

Q73 Tom Blenkinsop: Some landowners have been advised to consolidate smallholdings into larger enterprises. Would that be suitable or sustainable for tenant farmers?

George Dunn: From our perspective it would not be a "one size fits all" policy. Obviously, there will be circumstances where amalgamation of holdings makes sense for a number of reasons. What is behind your question is probably the Upper Yewdale case in Cumbria and the Beatrix Potter farms in which the National Trust were involved a few years ago. From my perspective as representative of the tenanted sector I could see that the National Trust took a pragmatic, sensible approach to amalgamating two units to make it more sustainable for the long term while protecting the farms in perpetuity. In other circumstances there are quite sizeable holdings where the landlords have taken the opportunity to take the capital out of the centre of those holdings, be it the buildings or the house, sell it or put it on a different basis and then look to amalgamate over a wider area. We would not necessarily be so keen on that because those are viable holdings that are being lost in the marketplace as opposed to taking quite smallholdings and making them more sensibly viable in themselves. It is not a "one size fits all" policy. We would accept it in some cases and not in others, but we need to look at them on their own merits.

Q74 Chair: To follow up what you said about the Uplands Entry Level Stewardship schemes, in your written evidence you say that 70% to 80% of farmers who receive the hill farming allowance have not been able to get into the ELS. Is that still the case?

George Dunn: We have been trying to get some figures just to understand where we are currently. We get slightly different stories from Natural England compared with Defra. I am slightly more inclined to

believe Natural England's rather than Defra's figures. Natural England indicates to us that at the moment there are about 9,000 potential applicants. If you take out those who are in what we call legacy schemes—countryside stewardship and ESAs—and therefore not yet eligible to get into uplands ELS, about 9,000 individuals should be potentially eligible. The most recent figures I have seen for uptake is that 3,500 individuals are now in the scheme, so from the figures we have tried to concoct a little less than two-thirds would appear to be outside the scheme. I am quite happy to share with the Committee the email correspondence I have had, if it would help to explain it.²

Q75 Chair: That would be helpful. You prefer the UELS to focus on food production and the active farmer. Is there scope within the existing CAP rules to allow that, and should there be scope for mediation where there are disagreements?

George Dunn: We would say there is absolutely scope. The European regulations do not use the phrase "management control" that Defra employs. The European regulations say that potential participants in agri-environment schemes should be those carrying on an agricultural activity or other land managers. We don't believe that really means having two people on a single piece of land who are potentially eligible to get into the same scheme. We believe that within the European regulations there is scope for the Government to be able to say that "management control" means that the individuals are in day-to-day management control of the land, are making the decisions about the management of that land and are taking risk. Our concern is that landlords do not take risks, are not in day-to-day management control and simply passively manage through the tenancy agreement but are still able to access the scheme money. One of my quick wins is that I think there is scope to look at the issue of management control and point it more to those who are actively farming the land.

Chair: That is helpful.

Q76 Neil Parish: Talking still about agri-environment schemes and stocking rates in particular, I come from the South West where you need higher stocking rates than perhaps in Cumbria and so on. Would you be keen to see these being dealt with much more on a local basis? Do you feel that the agri-environment schemes at the moment are far too prescriptive on stocking rates?

Mike Keeble: You have opened a big can of worms, haven't you?

Neil Parish: Yes, I know.

Mike Keeble: The first thing to say is that Single Farm Payment has supported an awful lot of farming that, frankly, should not be going on. In terms of how the environmental payments try to prescribe stocking rates, there is no doubt that the number of cattle and sheep going out of the dales and off the hills particularly in the North—I do not think it is quite the same in your part of the world—is increasing phenomenally and quickly. Once those cattle have

² Not published

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walked they ain't coming back, because that money will go into a bank account or somewhere. Nobody will invest back in stock. We have to keep such stock as is left there, and I believe that in order to do that we have to go back to some form of headage system. How you then relate that to a stocking rate that is effective within a differing landscape is quite a difficult thing to do, but I believe that if given the responsibility most farmers would take that on board and do it responsibly. They are only too aware that the spread of bracken, gorse and everything else will be controlled only by getting cattle in particular and possibly ponies back on to the hills. I am not against that, but I am not very keen on too many horses. Ponies can do a good job.

Q77 Neil Parish: I think suckler cows in particular on the hills are a major problem, are they not?

Mike Keeble: Yes, the lack of them.

Q78 Neil Parish: Sheep do not always fulfil the same type of grazing?

Mike Keeble: That is right.

George Dunn: When the single payment scheme was introduced we were very concerned about the impact that would have on the uplands. Every suckler cow is losing a shed load of money on the hill. It was losing the suckler cow premium and the LFA supplement. Over the past five years of the single payment scheme we have lost a considerable number of cattle in the uplands because they simply lose money. We look very much to the return of a headage payment, of course with environmental criteria, that can put those employees, as one of our members in the North East describes them, back on the farms.

Q79 Neil Parish: Have you heard of a wonderful thing called Article 68 of the Common Agricultural Policy?

George Dunn: Yes. It is the washing machine into which you put money and it comes out slightly smaller, isn't it?

Q80 Neil Parish: That is right, but it can also target types of grazing that can be linked to suckler cows.

George Dunn: Yes. We need to be very careful about thinking that Article 68 is the be all and end all. Certainly, the criteria within which Article 68 operates need careful thought before we allow any Government to run riot through that particular piece of legislation.

Q81 George Eustice: Obviously, your document *20:20 Vision* for agriculture is quite critical of decoupling subsidies from production.

George Dunn: For the uplands, yes.

Q82 George Eustice: You have talked about a headage payment perhaps coming back in. You have also explained how the Government could interpret the existing EU schemes differently to favour the uplands, but when all of it is reformed in 2013 is there anything specific that you think ought to be included, and realistically could be at that moment, that would solve this problem?

George Dunn: Certainly, when you look at the next reform of the CAP already we are led to believe that the Commissioner is very keen to put support for LFAs back into Pillar 1 and for Pillar 1 to become, in his terms, greener. We wait to see what the Commission's formal position is on that situation later this month. However, the fact that the LFAs potentially could come back into Pillar 1 and that the Commissioner is also referring throughout the document to support for active farmers, as opposed to those who passively own and manage land, gives us hope that the uplands will be given fairer treatment next time round. As Mike said, we are very keen to see some form of headage payment coming back for suckler cows and breeding ewes in upland areas to get mixed grazing back on to hill areas.

I was on a National Trust estate in the High Peak not so long ago where they are carrying out a wonderful heather regeneration project. All the animals have gone and yet they want animals to come back to graze it and manage it thereafter. My question was: where do those animals come from when they have gone off the hill—the hefts have gone—and how do you deal with the amount of money people will be losing by putting animals back? There was no answer to that question. We believe that you can unlock that only with a properly controlled headage payment scheme for breeding livestock in the uplands.

Q83 Dan Rogerson: When we spoke to the Commission for Rural Communities they talked about other methods of rewarding farmers in terms of public goods, which is something this country has not really developed; it has all been about agri-environment schemes. What would be your response to exploring those kinds of options?

George Dunn: I think you need to define what you mean by “public goods”, Mr Rogerson. Do you have a list of what you would include in that?

Q84 Dan Rogerson: It is more a matter of what the Commission meant by it. In past reports they have talked about unlocking the potential in the rural economy and looking for what might be called diversification, but all sorts of other things you can do to unlock potential in rural areas and how farmers can be rewarded for the good they do there and in the wider community and economy.

Mike Keeble: We had “public goods” explained to us at the Uplands Land Management Advisory Panel in Ergon House on Monday. To me, it seemed rather ridiculous that in a world that will run out of food almost certainly in the next 25, 30 years the most essential public good was not food. There were all sorts of other things which were influenced by a lot of ornithologists and others, but it seems to me that, unless we are to eat the birds, food should be at the top of the agenda on public goods and, following on from that, energy, water and all the other things. But we must concentrate on food production because at the moment the factory that makes it is being sold and is going away.

Q85 Dan Rogerson: Coming from Cornwall and representing Bodmin Moor and areas like that, I do

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not disagree with you, but I have heard experts say that what we need to do is plant lots more fruit trees in areas like that and get away from livestock.

Mike Keeble: That is all right; I am all for timber, but fruit trees don't do well above 800 feet.

Q86 Dan Rogerson: That is your initial answer. You have already made absolutely clear that you think a headage payment is the way to do it, but do you have any sympathy at all for the view that other things could be rewarded apart from just production and agri-environment?

Mike Keeble: I think the other explosive area in the uplands will be timber. You have a big link-up at the moment between Jenkinson Forest Products and Eddie Stobart, which I think will have a very big influence on the timber market. It is already doing that. I can see timber coming in, but we will not be growing for pulp and pit props but for energy and good, hard timber. I think we shall be looking at GM in trees and that sort of thing, which other countries are doing. I can certainly see forestry coming back below 1,200ft. I do not see why it should not come back and do a good job for all of us, but as we know it is a very slow turnover.

George Dunn: But my point about the headage payments was not just about them being direct income support. We see those payments very much as being used to deliver some of the agri-environment outcomes we have been trying to get through the back door by removing the livestock, which we have not greatly achieved. As Mike will attest, the amount of bracken up the hills in the North is considerable when we remove that livestock. First, we want direct income support because of the profitability of farming in the uplands, but, secondly, we want that direct income support to do other things for you in terms of environmental management. It is only when you have profitable businesses that they can then invest in walls, watercourses and everything else that you want to do in that area. Rather than have a very prescriptive approach we need an outcome-based approach that you can tailor to each individual circumstance.

Q87 Chair: Defra said that when we had headage payments there was over-grazing. How do you propose getting over that problem?

George Dunn: I have always thought the issue of over-grazing was overstated. If you look at the cases—I do not have the figures to hand—where individuals were taken to task under the regulations for over-grazing, they were vanishingly small. There was a handful of very high profile situations where over-grazing was taking place, but it was not the widespread issue we were all led to believe when the schemes changed. We need to have an eye to ensure we do not create over-grazing, and we are absolutely up for that, but I think Mike would agree that there was not a great deal of over-grazing, particularly in the northern uplands.

Mike Keeble: Certainly in the North there was not, but it was different in parts of Wales. There was some very bad over-grazing, but, generally speaking, I think it was an overstated word played on by people for other reasons.

Q88 George Eustice: One of the other things the CRC recommended was that the development of markets for carbon and water might be one way forward. How do you see this benefiting tenant farmers?

George Dunn: We don't. We tend to think that those issues are matters for landlords. If you look at any reasonably standard tenancy, things like soil, trees and watercourses would be exempted from it and reserved for the landlord's use, so I am afraid we would tend to see that being more a landlord or owner-occupier than tenant farmer issue.

Q89 Richard Drax: Do you think there is too great an emphasis on diversification, which we hear about so often nowadays? So often you are told to do these things and when you try to do it you are stopped from doing it. I take your point about landlords who should probably be taking forward these big projects, but as far as tenant farmers are concerned, in reality there is not an awful lot of scope to diversify on a hill farm, is there?

George Dunn: As I said in an earlier answer, the first point is that the number of opportunities you have are much smaller in comparison with farming activities elsewhere in the country. The second point, as you rightly say, is that on a tenanted holding normally there will be two restrictions in the tenancy agreement: one is to use the holding for agricultural purposes only; the other is not to add to or alter any fixed equipment that is on the holding without the landlord's consent. Those two clauses together make it very difficult in the broad range of circumstances for tenant farmers to make use of diversification opportunities. Of course, there are enlightened landlords who will give consent for diversification and a deal will be done in relation to the rent or a sharing of the profitability of that business to ensure that both the landlord and tenant are remunerated, but if the landlord wants to be difficult he will be, normally aided and abetted by agents and solicitors along the way, because of the nature of that relationship.

Q90 Amber Rudd: Can we look at the issue of succession and tenant upland farmers? Do you take the view that the Government should be involved in any way in trying to ensure that?

George Dunn: Mike has a whole raft of issues to talk about in relation to training where I think Government could have a role to play to encourage new entrants and bring in new people and thinking into the hill areas, but in terms of succession on existing holdings probably there is not a major role for Government other than in assisting to ensure that people are well advised on succession arrangements.

I have just spent a week going round the country talking to members of the Tenant Farmers Association about a range of issues, many of which are to do with succession. There are people sitting on three-generational tenancies who do not have a clue about how they go about the procedures for succession, despite the fact they are in prime positions to be able to succeed. There is a role to be played in ensuring that hill areas get access to that good advice and information. If Defra can assist in that, that will be

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great, but there is the wider issue about ensuring we develop the right skills base and opportunities for new entrants in the uplands which Mike will address.

Mike Keeble: As you have all gathered from the discussions you have held, the uplands give rise to a huge range of problems, not least deeply embedded traditions in genetics, lifestyle, type of holding and everything else. I have been going through this since 2001. I worked for Donald Curry for quite a long time until the Red Meat Industry Forum stopped. I was involved with Northumberland farm college and then became involved with Harper Adams where I was a student many years ago.

I can announce to the Committee today—I assure you that you are the first people to hear it because I received the phone call only this morning—that Harper Adams, in conjunction with Askham Bryan, Bishop Burton and Myerscough certainly, will set up, with help from me, a completely new concept for training in the uplands. It will be based around the REEDNet system. You can Google it or I can get Charles Cowap of Harper Adams to circulate the details of the REEDNet to the Committee. It is about linking the food chain from production right through to the retail point.

Taking that as the starting point, we shall be looking for graduates coming out of the various colleges to whom we have been able to explain the huge potential in the uplands. The Government have to give us the power to give them that enthusiasm. We also need to do some basic research; it does not need research centres any more. We can do it on farm with graduates; we can bring them on and they can go through a farmer-designed, bottom-up course that will allow them to take a further qualification should they wish. It will be all-embracing. We will get George to talk about succession; we will get the fertilizer industries to come and talk about the improvement of pasture and that sort of thing; we will be looking at genetics.

Therefore, Harper Adams are on the ball. They have raised the flag here and now. Charles Cowap gave me permission to say that to you today. He can follow that up with you at a later date. Provided we get Government backing, that is up, alive and going. REEDNet is putting in the base capital. I believe we can raise sponsorship, but it would be lovely to think that Defra could also put some money behind it.

Q91 Amber Rudd: That is very encouraging news; thank you for sharing it with us. Can you also say something about the availability of the tenancies themselves apart from the actual training on which obviously you have a handle?

George Dunn: I am afraid that the opportunities to farm are few and far between. The two obstacles that new entrants come up against time and again are, first, their calibre, which Mike is addressing with Harper Adams through this scheme, and, secondly, the opportunities that become available. Unfortunately, in today's marketplace we are in a situation where the number of tenancies, not just in the uplands but anywhere in the country, have become fewer and fewer. More and more people are chasing those tenancies. It is a big concern for us that the

Agricultural Tenancies Act 1995, which introduced farm business tenancies and was meant to create a burgeoning market in tenancies, after being in operation for 15 years, has not provided the opportunities we all thought we would get.

Q92 Amber Rudd: What do you think we can do to address that?

George Dunn: I think the issues go wider than this inquiry in terms of encouraging opportunities for tenancies. We have made some suggestions within our report *20:20 Vision*—we can provide a full copy of it if it helps—about the taxation environment in which decisions are made, looking at how we use things like inheritance tax reliefs intelligently to encourage more beneficial lettings in the marketplace.

Mike Keeble: If I may add a rider, it is important to remember that if you take a 300-acre all-grass farm in somewhere like Wensleydale, Swaledale, Teesdale or wherever it may be, the working capital required to make a reasonable living, not an expanding business, is about £800 an acre. It is all very well to ask whether tenancies are available. The fact is that if you are offered a tenancy of a 300-acre farm you have to be able to come up with about £250,000. Very few young people have the ability to get that money. However, if we can enthuse the industry we will see bigger and bigger units that will offer very well-paid jobs for highly qualified people.

Q93 George Eustice: Given that there is a problem of succession within families—for example, the son says there is no future in it and he cannot make a living from it—why is there a shortage of tenancies? Is there just a huge consolidation going on?

George Dunn: I do not think the situation is as stark as you suggest. There are individuals who say they have had enough. They have seen how hard mum and dad work and they do not want to take on the tenancy. But in my 14 years with the TFA I have found an increasing number of young members of families who say they think they can make a go of it and have some good ideas of how to do it and how to get back on to the farm to make it a viable business. Quite a lot of my job is about talking to people of my age and younger who now look at the possibility of getting the succession tenancy on their mother's or father's holding. Therefore, with respect to the comment you make was one from a few years ago. From our perspective there is now a greater desire to do it.

Q94 George Eustice: Do you know approximately what percentage take on the tenancy?

George Dunn: I do not think those figures are publicly available, but we can do our best to see what we can find.³

Q95 Neil Parish: Perhaps I can quiz you a bit on the farm business tenancy? On the face of it, it should create a lot more flexibility. If you have three-generational-type tenancies they might work for the people who have them but there is nobody else who can break into them. Also, if you have a farm will you necessarily let it for three generations? Will you not

³ Ev 56

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let it on a farm business tenancy? I do not see why you are so against what is happening with farm business tenancies.

George Dunn: What I would say, Mr Parish, is that we have gone from one corner solution to another corner solution. We do not advocate a situation whereby landlords have to let holdings for three generations. We are where we are with three-generational tenancies and my members who have them are very glad of them and will use them to their full advantage. Nor do we ask for lifetime tenancies. Again, we also have members who are glad of those. When farm business tenancies were introduced the idea was that the market was seeing a downward trend in terms of new lettings and we wanted to improve that. We have seen more land come on to the market. It has been fairly stagnant probably for the past five years or so, but the average length of term on those holdings has remained doggedly static at about three and a half to four years. From our perspective that is not sufficient to give anybody a good start. There is a subset of statistics that shows that if there is a house and buildings the average length of term is about 10 years, but we do not know where the break clauses fall in those agreements. What we have been arguing for in *20:20 Vision* is the concept of landlords being encouraged to let for a period of at least 10 years, which we think gives an individual a reasonable chance of making a little bit of money and moving on to the next thing.

The other problem is that county council smallholdings have always been the place where individuals cut their teeth in farming and moved into the private sector, but there is now a dwindling number of such smallholdings, and getting people into

starter farms is much more difficult. Further, the gap between the county farms sector and the wider agricultural scene has become wider because of the amalgamations and capital requirements that Mike has been talking about. The other problem is that if all you are offered in the private sector is a five- or six-year FBT, and you are coming off a tenancy where you may have 15 or 20 years, is that a progression?

Neil Parish: It does not encourage you to do that.

George Dunn: Or is that a backward step? We need to have a fundamental look again at the farming ladder—there is a section in our *20:20 Vision* about that—to try to improve farm business tenancies, not abolish them, and make them more fit for purpose.

Q96 Chair: In their recommendations, the Commission for Rural Communities suggested that all the farm lead bodies like yourself and CLA should work together with the Government to develop proposals and facilitate the succession of upland farms and new entrants.

George Dunn: Yes.

Q97 Chair: Has that happened yet?

George Dunn: Not as far as I am aware, but, as we said in our written evidence to you, we are up for that. I mentioned earlier the Tenancy Reform Industry Group that Defra sponsors and upon which the NFU, TFA and CLA sit, among other bodies. That would seem to be the most reasonable place for Defra to engage with us on those issues, but it has not yet reached our agenda.

Chair: Thank you very much. We are very grateful to you.

Examination of Witnesses

Witnesses: **Dr Andrew Clark**, Head of Policy, NFU, **Will Cockbain**, Uplands Spokesman, NFU, **William Worsley**, President, CLA, and **Professor Allan Buckwell**, Director of Policy, CLA, gave evidence.

Q98 Chair: Good afternoon, gentlemen. I welcome everybody, particularly William Worsley, who is a constituent. We are delighted to see you here this afternoon. Perhaps I may invite William to introduce his colleague, and the other William to introduce himself and his colleague.

William Worsley: I am William Worsley, President of the CLA. I am a farmer and landowner from North Yorkshire. With me is Professor Allan Buckwell, Policy Director of the CLA.

Will Cockbain: I am Will Cockbain; I am a Lake District hill farmer. The family has farmed in the Lake District for 300 years, so it is fairly indigenous. I have been the NFU's National Uplands spokesman for six years. I have with me Andrew Clark, who is Head of Policy Services and a senior member of NFU staff working on uplands. I would just like to say how much we welcome the opportunity to have a more coherent approach which recognises food production and the marketplace as well as environmental management in the uplands.

Q99 Chair: If I may turn to NFU and CLA in turn, are we hampered by the fact that there is no definition of uplands? How would each of you define "uplands"?

Dr Clark: I think there is a reasonably good definition of "uplands", certainly the uplands that we recognise in an agricultural sense, in the form of the less favoured areas. There is, of course, an issue about the long-term future of that designation, which is something we may return to later in the evidence session. I am concerned about the reclassification exercise in which the European Commission is currently entrenched.

William Worsley: I think we would agree with that.

Q100 Chair: Are you convinced that the Government will come forward with a sustainable hill farming policy?

Will Cockbain: Yes, of course we are! As I said at the start, we think that a more coherent farming policy that recognises food production, the marketplace and that farmers have to be responsive to that marketplace as well as deliver environmental management is

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definitely needed. In my NFU role I come across the agri-environmental side quite a lot in Defra and the Government. I also worked as a sustainable food and farming chair with Sir Don Curry, which took me into another area of Defra. I have to say that the gap between the two was quite large. We are being told we have to be more market-responsive and competitive in the marketplace, so that side of it needs to be more closely aligned with the agri-environment, environmental management side and public good side, so a policy that recognises both of them equally and does not set one against the other—so that there is no contradiction—is very much needed and would be welcomed by the industry.

William Worsley: We agree. We feel that the uplands are extremely important to society because their active management provides many vital goods. We have talked about food and food production, but there are also wood products, cultural landscape, natural resource protection, biodiversity, carbon etc, as well as leisure and tourism. We see this as very important. We also agree strongly with the broad thrust of the CRC report.

Q101 Dan Rogerson: You agree with the thrust of the report. Both organisations, however, have reacted positively to the decision to disband the CRC and take back in-house some of these sorts of functions. Looking at the report and taking forward those issues, do you think Defra has the influence in Whitehall to be able to do that job?

Dr Clark: We support the principle of moving policy back into Defra and Government taking ownership of setting a policy direction. We very much hope that Defra will produce a clear policy statement on the importance of uplands along the lines we have just set out. There are two risks to the abandonment of the CRC approach and taking it all in-house. One is: how will they listen? Who is listening to local farming communities and other local communities? CRC did a good job of listening. We make no bones about that. You cannot just make policy from Whitehall; you need to listen as part of that.

The other issue is that if Defra takes ownership, which we understand they are doing, they have to be influential within Whitehall. The uplands are not led just from Nobel House; they have to be led from CLG, DECC, the Home Office and also the MoD, which has important landholdings. All these different groups need to be brought together, so we depend on the champion being able to influence all of those policy levers.

William Worsley: Andrew has said a lot of what I would say. We were not lobbying for the abolition of the CRC. However, we have accepted that it has gone. It is vital that its function—the economic and community view and the rural-proofing—takes place and is not lost. We see a strengthened Defra policy unit is a way to do that. However, it is not just Defra that is involved with the uplands; it is far broader than that; it is cross-departmental, and that is where it could fall flat. We are slightly concerned about the loss of a rural champion as such. We would like to see a Minister with specific responsibility for the uplands as somebody to champion and co-ordinate.

One of the really important points is co-ordination among government departments and agencies.

Chair: I think they recommended a Minister of Cabinet rank to act as co-ordinator, did they not?

Q102 George Eustice: One thing Defra said in their evidence to us was that it was less an issue about the viability of upland farms per se and much more about just the economics of upland or lowland livestock grazing. Would you share that analysis?

William Worsley: I think livestock farming in the uplands is the bedrock. However, it is not that alone. If you go to different parts of the country there are different opportunities. If you farm in the Lake District there are tourism opportunities; if you farm in other parts of the world there may be environmental or renewables opportunities. There are things other than the importance of pure production farming. One thing that causes us concern is the high dependence that upland farms have on public support, which is under threat.

Will Cockbain: What makes hill farming special, and is it just about hill farming? It is intrinsically linked to the lowland livestock system. It provides sheep that go down into the lowlands for production, but because it is at the end of the chain it is very vulnerable to prices. When the marketplace is down the lowland livestock producer can pass on some of his costs to the upland guy and the latter has nowhere to pass that on. He is also very restricted in the choices he can make in the uplands. It is pretty much beef and sheep farming, but—and this is really important—that system underpins just about all the environmental management in the uplands. If you look at the Lake District, Peak District or Dartmoor, huge tourist revenue is generated from that landscape and its maintenance, so I would argue that, as a percentage of the tax take, what is reinvested into the uplands represents pretty good value for money.

William mentioned other opportunities, for example trees. We believe they are also there, but at the moment we do not see a market mechanism for quite a lot of it and there is still more work to be done on it. As to who benefits from it, again there needs to be more work done.

Q103 George Eustice: Is the difference that at the end of the chain it is still livestock farming whether it is upland or lowland?

Will Cockbain: I have two sons at home who farm. One of them does a lot of stone-wall contracting, so he does quite a lot of maintenance. He could be termed as part and parcel of the maintenance of the Lake District. The other one also does some contracting. They see themselves as farmers and everything they do is farm-related, and it is on the back of that farming first that you get everything else; it is on the back of farming that you get environmental delivery. If you try to do it the other way round it will not work. Recently, I spoke to one of the National Trust's land managers. He admitted that they had tried putting tenants in place who said all the right things about improving biodiversity and doing this and the other, but in practical terms they did not work because they did not know how to manage a flock of sheep; they

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did not understand animal husbandry and there were animal health and welfare issues. You have to recognise that it is profitable farming that is the start and everything else is on the back of that.

Q104 George Eustice: What I am trying to get at specifically is: is it harder in the uplands than in the lowlands?

Will Cockbain: It is harder because you are restricted in your choice; you are in a much harsher environment in terms of soil productivity and fertility.

Professor Buckwell: The evidence is that livestock grazing activity is pretty unprofitable wherever it is, but in the uplands that is all you can do. In the lowlands sometimes you have other options. To take even the past seven or eight years' data on farm management accounts in upland and lowland grazing, the uplands come out quite a lot worse in a few years but not always, because lowland grazing is not a brilliant thing to do either. But the point is that, as Will said, there is nothing else to do in the uplands and then we have to move on to the wider agenda about other goods and services that the uplands might be able to supply. That is the potential the CRC talk about. It seems to me that is the clue about how to unlock the potential.

Q105 George Eustice: But they did concede it was much harder for the uplands to diversify as a general rule?

Professor Buckwell: Yes.

Q106 George Eustice: Some of them do so successfully?

Professor Buckwell: Within agriculture, absolutely; you cannot go into arable.

Will Cockbain: There are two sides to diversification. Certain upland areas have the potential to diversify to tourism, but from a farming perspective you are pretty much stuck with grazing, predominantly beef and sheep. To put a question, if you had the same flexibility in the uplands whereby I could just plant a field of whatever that would dramatically change the environment in six months, what effect would it have on areas like the Lake District, Peak District, national parks and Dartmoor? That limited choice is part of that environment.

Dr Clark: It is not just the physically limited choices; it is also what is allowed and what is culturally as well as environmentally acceptable.

Q107 Neil Parish: You are absolutely right when you talk about the sheep industry. The breeding stock is in the uplands. As they get older they come down into the lowlands and what have you, and that is essential. How much can we recognise that when managing the uplands? Do you believe that should have greater recognition by CAP?

Will Cockbain: Certainly it should be recognised. It was recognised quite a lot perhaps 20 years ago; perhaps it has not been as much in the past 10, 15 years. It should be recognised because a lot of jobs in that process are dependent on that from the lowland livestock sector right through to hauliers and vets.

There is quite a lot of economic benefit from that interaction in the hills.

Dr Clark: One nuance I want to pick up is that in the hills we have a way of farming that maximises what little potential there is for food production, and increasingly we have to look at every opportunity for making the best use of that land. We think there is a unique way of farming that land that produces food and a cultural landscape. The food bit has fallen off the agenda; it has now come back again. Let's not forget it but think what we can do to invest in that bit.

Q108 George Eustice: In earlier evidence from the TFA mention was made of the scope to consolidate some of the smaller holdings into more viable units. Do you have a view on whether there is further to go in that process?

Will Cockbain: I think that will tend to be area specific. Some areas have more of what you might term viable sized units. You can go to other areas where there is a cluster of very small farms and you will see amalgamation. A few years ago in the Lake District there was a furore when the National Trust amalgamated what was seen as an iconic farm. But the furore was not really about the amalgamation; it was the choice of that farm. I think that in hindsight everybody agrees that what should have happened three or four years previously, is that smaller farms around that iconic farm should have been merged with that one rather than break up the one that was seen to be probably viable. I think it is inevitable that there will be some amalgamation. Some farms will get bigger; equally, some farms may well get smaller, and there are part-time holdings.

William Worsley: Consolidation has been happening since the dawn of time and will continue. There is some way to go. With machinery development and the like it is bound to happen and it makes sense. However, it is not the sole answer. You can have both large and small units. The opportunity of diversification, where you have it, can enable a smaller unit to be viable and to survive, whereas where perhaps you do not have the opportunities of diversification you need a larger land area. Consolidation is part of our times; units tend to become bigger, and all the more so on lowland farms, but it is not the sole answer. Small units can be viable and work perfectly well.

Q109 Chair: In European terms are hill farms still larger units or average for the rest of the EU?

Professor Buckwell: There are truly enormous units in the uplands of the British Isles and also in other parts of Europe. If you have a very low margin business and do not have a lot of that business you will not earn much of a living. Look at the income figures. If you have average incomes of £10,000, £12,000 per holding you cannot expect that sort of unit to survive, so it must diversify, become larger or find some other source of revenue, but it cannot stay still.

Q110 Mrs Glendon: Perhaps I may turn to a planning issue. Do you think that Community Right to Build

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will improve or worsen the situation regarding affordable housing in the uplands?

William Worsley: I think it will help, but I do not think it is the sole answer. We are sceptical about 90% support. The planning system is in a pretty good mess. One of the ways of looking at the uplands is to consider the planning system and what can be done to enable that. I think affordable housing in the uplands, particularly in areas of national parks, is extremely important. The home on the farm concept that has been brought forward is a starter. However, my concern is that the cost of converting redundant buildings to provide affordable housing is too great. You have to look at appropriately designed new build housing. I am talking here about the importance of design. If you build in the local vernacular to an appropriate style and design it can fit in very well to our uplands where landscape is often very important. I think that planning needs to create opportunities in the uplands, in exactly the same way as in rural lowland Britain, to enable farmers and upland land managers to diversify in an appropriate way with appropriately designed buildings.

Will Cockbain: I agree with everything William has said. When it comes to planning, greater flexibility is required, but we need a system that actively encourages generation overlap. There are lots of benefits from generation overlap not just to do with farming. Quite often a young man might leave school and work part-time perhaps on his father's farm for a couple of days a week and help out on one or two other farms. When that guy reaches 22, 23 or 24 and decides to get married he cannot afford to live in the area. Off he goes and takes with him his rural skills. If there was a system in place that gave reasonable security to young men or women that they would be allowed to build or convert a house or whatever within the parameters of the farmstead, and so would be allowed to live in the area in which they were born and brought up, they would start to think how else to generate some income. If they are allowed to live there they need to earn more money. Therefore, you start to foster entrepreneurial skills.

Where you have a farm that is one labour unit on the farming side, that farm will function much better in every way possible when there are two people on it because it gives them time off; it means they can look at other interests or aspects of the business to diversify. There are also lots of social benefits. You have farmers and their wives in their sixties or seventies who are approaching the time when they may need some sort of assistance. Where you have encouraged generation overlap they will look after themselves; they become a little community, and that takes a great burden off the state. You have a younger person who can nip to the shops if someone is not well. There is a whole range of social benefits.

When speaking to Tim Farron years ago I used to say you could not refer to farmsteads as greenfield sites, nor perhaps should you refer to them as brownfield sites; they should be called beige field sites. You already have a cluster of buildings; from a visual aspect it is already there. What you need is a mindset that instead of needing an incredibly good reason to be allowed to do anything there, the planning

authorities need an incredibly good reason for not allowing them to do something. You would then be surprised what would happen. It would strengthen the businesses in all sorts of ways and help socially and in terms of welfare; people would look after themselves, families and child care. It would help in all sorts of ways. The key to it is flexible planning.

William Worsley: To develop that, we have touched on issues to do with succession and everything else. Something that really could be done to improve it is to follow the Welsh with PPS7. They have something called TAN6 (Technical Advisory Note 6) that enables the building of a dwelling on the farm to enable succession to take place. But it needs to be appropriate. We need to look at it more flexibly, and that would be one way to manage succession issues. Very often you have a farmer sitting in the farmhouse and becoming more elderly and the younger generation cannot get back on to the farm and deal with the succession because there is nowhere for them to go and live. If England can follow the Welsh lead here that would be a significant step forward. We welcomed TAN6 when it was announced in July as a really good move forward.

Q111 Mrs Glendon: You think it will be better if there is flexibility?

William Worsley: Yes. What is really important about development in rural areas, particularly the uplands, is that in most cases they are of very significant landscape quality. The most important thing we do here is that anything that is done should be good quality design. If you get the design right an awful lot can be done to help develop the countryside. That is the key point. It would be absolutely awful to see a lot of urban-style boxes built on farms that would be inappropriate for that location, but if we build appropriately in those locations we can do a lot to free up the system.

Chair: Is it just as affordable?

Q112 Mrs Glendon: How can you link quality to affordability? That is the issue, isn't it?

William Worsley: This is a really important one. The first comment about "affordable" is that people think about building as cheaply as possible. I hope that the CLA will hold a design competition in the next year about how to do affordable housing to high quality design, but affordable housing does not necessarily mean cheap housing. We do not want to spoil the countryside just to build cheap houses; we need to find a way to build inexpensive houses to a quality that the occupant is proud of and can enjoy living in, and can be beneficial rather than detrimental to that location.

It is also about the social aspect of building affordable housing. One of the problems with the post-war council house building boom was that effectively urban houses were built in rural areas, usually in locations on the edges of villages. To this day they are referred to in villages as "the council houses" and the people who live there have never really been integrated into the villages. I am afraid that still tends to be the case 50, 60 years on. If we can build affordable houses that look like any other houses—so

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are built to a standard—they can work. In the village in North Yorkshire where I live I was involved 20 years ago in the building of some affordable houses. The great thing about them is that they are in the village and nobody knows they are affordable housing.

Chair: I have seen it.

Will Cockbain: On flexibility to allow development on a farm, where it is to be a house in return for that flexibility I think there would have to be some conditions. We do not want to see the system abused, but it should not be beyond the wit of man—I do not think the conditions should apply for ever and a day—to provide that, in return for that flexibility, for a sensible period that house cannot be flogged off—I nearly said “to the nearest banker with a large bonus”—because that would be an abuse and would not solve the problems we are talking about. There should be proper conditions for a reasonable length of time.

Q113 Amber Rudd: Given the many differences between the regional aspects of the uplands, do you think a national strategy is appropriate?

Dr Clark: Perhaps I may start off and then Will may say a bit more because he has been round many of the uplands already. Our view is that we really do not need another strategy. We have stacks of strategies already out there. We look forward to the work that Defra are doing, but we hope that it will be a confidence-building coherent policy statement—period. Let’s get on with some action after that. The last thing we need is another consultation period, a pseudo-White Paper, steering groups and that sort of thing. We need confidence building so we feel there is genuine commitment to look at upland areas in a coherent way and see food production as part of the recipe for those upland areas. As to regional changes, Will has been round many upland areas.

Will Cockbain: I think that if we had the coherent policy we talked about at the start, which recognises food production and environmental management and did not set one off against the other, that could filter down to other agencies: Natural England and national parks. In my trips around the English uplands, if you like, on the whole the national parks are reasonably supportive but they do not all see eye to eye; there are differences of opinion on the importance of food production as opposed to environmental management or eco-system services. What is required is that Defra produce a coherent policy that makes sense to all those farming in the uplands and that filters down to other agencies rather than trying to develop another strategy.

William Worsley: We hope this will emerge from the CRC report and the work of this Committee. We would like to see Defra pull this together and agree a strategy and then get on with implementing it. We would hate to see yet another talking shop. Effectively, the work has been done by the CRC and we want to get on with it.

Q114 Amber Rudd: What do you think would be the most important aspect of this coherent policy to have sustainable communities in the uplands?

William Worsley: There are four things in particular. First, we need changes in the planning system, as I have already alluded to; we need to enable rural economic diversification; we need to provide affordable housing; we need to develop the rural infrastructure, especially adequate broadband capacity, which is something on which the CLA have been lobbying very hard for quite a long time, with some success I am pleased to say. It is also very important to focus on medium and small-sized abattoirs. We would like to see a framework to bring new financial support to the uplands for carbon and water management and some form of banking structure; we also need to argue strongly to defend the CAP and payments to support these farmers.

Dr Clark: From our point of view, first the statement itself will be important in indicating there is confidence and understanding. Secondly, we have already talked about succession. Facilitation of succession is incredibly important and the planning system and national park authorities have a role to play because of their importance in upland areas. We think that the recommendation that came out of CRC in terms of the demonstration farm network that helps to improve knowledge transfer and research so we can farm in novel and productive ways is a good bit of the puzzle to maximise food production. You can then move into some quick wins.

Q115 Amber Rudd: Dr Clark, the NFU’s memorandum said that a national strategy should consider the short-term actions required to address the immediate challenges faced in the uplands. What short-term actions have you identified?

Dr Clark: We are thinking of things like listening to people, as we mentioned earlier. We think it would be a good idea to establish a national hill-farming panel, where ministers would be engaged with the farming community—we would also like them to be engaged with the NFU—and would talk, listen and understand and see what it feels like.

Q116 Amber Rudd: There is no danger of it being the talking shop you described earlier?

Dr Clark: We have talked about upland demonstration farms, a network of demonstration farms that pick up rural development and use RDR funding and some of the knowledge transfer, technology strategy board type of activity. We have talked about home on the farm, which helps with succession. CLG could deliver an immediate policy change on that and enable some of that building work to start for investment in the next generation. We then have a series of ideas around the upland entry level scheme and facilitating entry for those on commons and tenant farmers where you need a bit of extra work rather than simply saying, “Here’s a scheme. Get on with it.” We need to oil the wheels and perhaps use some of the people out there better than we do currently.

I have already mentioned LFA reclassification. I want to see Defra identifying the criteria needed to define upland areas and less favoured areas where there is a natural handicap, as the Commission are talking about them, and making sure they are suited to the UK climate, not just a central European one which is the

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current approach that the European Commission takes.

Will Cockbain: Farmers would also like to see a bit of development on agri-environmental schemes. Predominantly in the uplands, they have been about stopping farming, reduction in sheep numbers and that sort of thing. For instance, if I as a farmer reseeded a meadow with alpine rye grass, white clover or whatever, it would reduce my need for nitrogen fertilizer. I would tick the “reduce pollution” and “climate change” boxes and maintain production. It might not sit too well with biodiversity, but there is a choice to be made. As to agri-environment—where it goes in the future and what other things we can put in for climate change—different people have different ideas about climate change, some of which, in my view, are a bit off the wall and not really practical. We need to see what is practical, get the stuff in there and deliver it.

Q117 Neil Parish: That leads quite nicely to my question, which might put a cat among the pigeons. The CRC report proposes some radical changes to the way the uplands are viewed and managed. If their recommendations are implemented farmers could move away from food production and towards management of carbon and water. Do you think there is support among the farming community for these changes?

William Worsley: Farming and food production is the core constituent of the uplands because that is what, to a degree, manages the landscape from which so many other people benefit. However, carbon and water are really important. I will pass this to Professor Buckwell because I feel I have done too much talking on our side.

Professor Buckwell: These are not alternatives. Farming is and always will be a core part of the management of what we want from our uplands, because the cultural landscape that surrounds farming is critical to the very important leisure, tourism and recreation industry. What we have all identified is that the uplands are in trouble and that is why there is a committee of inquiry taking place on it. Most of the potential lies in getting new financial resources into the uplands rather than massive expansion in agricultural output. However much we would like agriculture to be more productive, competitive and so on, the expansion and potential are mostly in the unconventional and non-market services for public goods.

Q118 Chair: Can you be more specific and give an idea of how it would work?

Professor Buckwell: I give two examples. In order to get money from carbon, carbon can be stored in the uplands in peat management, afforestation and through certain agricultural practices such as biomass and so on. The question is: how do you bring in that new money? This requires certification of the appropriate projects for the management of land so it can be certified as storing carbon and not emitting it, whether it is trees or peat. That requires technical work but also the political will to do it. On the one hand, we will need companies that are required to

measure and record their emissions, either voluntarily or compulsorily, which will then have an incentive to purchase projects for carbon storage and management. Who will be supplying those projects? In principle, they will be uplands land managers.

This is not a short-term win; it will probably take a decade or longer to get up and running, but if we do not start now it will not even be ready then. I think the seeds of the arguments are there. We suspect there will be more afforestation in the uplands; there are plenty of groups out there who suggest it. This is one way to help finance it.

The other area is water filtration; the removal of discolouration and water storage. Again, who is to pay for it? It will not be the taxpayer through Defra's budget or CAP payments; it will come from water consumers through the water regulators agreeing and encouraging appropriate upland management to provide these water services so the land manager is rewarded for his actions and costs and forgoing other activities. We will have some public water storage, filtration and discolouration removal services provided. There are some working examples of that. The question is: what is stopping those rolling out further? There are some answers to that.

Q119 Neil Parish: How does the money get back to the person who manages the land?

Professor Buckwell: He is either compensated for not doing other things or, in the case of afforestation, he is paid to afforest. There is an incentive in place to encourage afforestation that otherwise would not take place. Obviously, this has to be additional.

Neil Parish: And grassland?

Q120 Chair: We have to move on because of the time. Has the NFU answered that?

Dr Clark: There is the market approach that Allan just described to you, but we already have agri-environment schemes that pay for a benefit, whatever it might be, based on income forgone. It seems to me strange that you can produce a multiple benefit but you are paid only £100. It does not matter how many benefits you provide; it is based on your income forgone. If you are providing a carbon, water and biodiversity benefit, is that not more valuable than providing just one of those benefits? It is a matter of getting the money for that somehow. At the moment the markets for water and carbon are simply not economic to change management, but they might be if just an incentive could be added to some of the existing approaches.

Q121 Richard Drax: That leads on to the next question. The Commission recommends that hill farmers should be rewarded for managing these national assets, such as landscapes and biodiversity. Do you see a potential conflict of interest between farming and national assets? How do you think it will affect farmers making management decisions?

William Worsley: I cannot see any conflict at all. I think that farmers manage the land to the best of their ability. They tend to have a responsibility of stewardship; they think it is very important and they want to farm right and manage the landscape and their

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holding. The problem is that they need to have the money to do it. That is why support is needed for the uplands, but I do not see it as a conflict.

Q122 Richard Drax: To push it a little further, on managing the actual assets I think your view is that you would rather get on with the farming side of it first and you think the priority is wrong; it has gone much more to the environmental side. Is that a fair assessment, generally?

Will Cockbain: Farmers will respond to market signals. We have had a very depressed market for food products, even sheep, for several years. I will not go on, but a unique set of negatives came into play at once—currency fluctuations, FMD and BSE—which helped create that, but farmers will respond to market forces. The outlook for food production is reasonably good at the minute. We see farmers starting to reinvest in their businesses; they have confidence in that market for food production.

You mentioned other markets such as planting trees. That is a very long-term commitment. The reality at the minute is that if there is not to be public money available, the amount of guaranteed private money that must come in is a long way off. There is a potential market for eco-system services and that type of management, and it may well happen. I do not think there is currently a market mechanism, and we are way off it. When that market does emerge it will be very volatile. For example, if Andrew has a company that emits carbon and it should not and he wants to do something about it he enters into contracts with farmers, or whatever, to mitigate it, but if five years down the line his company develops technology that reduces it for him, he will not want to pay for it. Therefore, it is potentially a volatile market.

Q123 Chair: I am very conscious of the time. May I ask you to try to keep your answers a little shorter?

Will Cockbain: Farmers will respond to what they see as sound and reliable market signals; they won't respond to something they regard as airy-fairy and wishy-washy.

Professor Buckwell: The key to land management is balance. We are talking about finding ways to reward a different balance of outputs from the hills, because if we simply carry on as we are we will not change the poverty in the hills. The other area we have not mentioned is renewable energy. There is huge scope for renewable energy in the uplands in wind, hydro and biomass. Again, it is a matter of balance, location, design and local acceptability. Of course we have to find the right balance; we will not smother all the hills in windmills.

Chair: As long as we do not have wind farms all across North Yorkshire.

Professor Buckwell: Exactly.

Q124 George Eustice: Another area is public access and trying to monetise it. In its submission the NFU says we need to find a way to do it, but it goes on to say it is incredibly challenging because only 30% part with any money when they go to the hills anyway and about 2% of visits to the natural English environment involve going to the hills. Do you have any ideas

about how you could develop income streams from that sort of tourism or public access?

Dr Clark: We do not suggest that we put counters on each of the footpaths and toll them through, or even erect fences on LFA boundaries. Clearly, these are interesting and important tourist assets, and perhaps some of this is already reflected in the single payment scheme but is not logged as such. I know that you are to talk to the national parks in a moment or two. They take some interesting approaches. They look at a local tourist tax and divert that money into helping to manage land as well as repair the damage or conserve some of the landscapes around there. They even contract with farmers to do that sort of work. There are some ideas. Perhaps we should look at some sort of pilot to ask: how do we capture some of the tourist use that is made of this area in a more considered way than we do currently?

Q125 George Eustice: Have you done any work in terms of what happens elsewhere in the world and what other countries have tried in this area?

Dr Clark: The French seem to be quite good at this sort of approach. I don't mind paying a bit of money on top of my bill when I am there.

Q126 Chair: I do not think it is necessarily a Conservative approach to tax the business sector. I shall put the next question to each in turn, starting with the CLA. There have been concerns about applications for the Uplands Entry Level Stewardship where agreement has not been reached. What mechanisms have you considered to try to achieve dispute resolution between landlord and tenants or commoners in order to facilitate agreement in the UELS?

William Worsley: I am aware that there have been one or two disputes, but we have no evidence that this is a problem of any scale. There is in place agreed guidance by the Tenancy Reform Industry Group (TRIG). On the whole, this is agreed on a case-by-case basis between landlord and tenant and seems to work satisfactorily.

Q127 Chair: I know of two areas of the country in North Yorkshire and Cumbria where there has not been an agreement, so what resolution mechanism is there?

William Worsley: The answer is that there is in place TRIG guidance. I am aware but do not know the details of one of the cases you are talking about; indeed, in this particular case we have members on both sides of the fence. On the whole, it is a case of sensible people getting together to have a sensible dialogue and coming up with a sensible agreement. On the whole, this tends to work. In other property disputes there is the ability to apply to the President of the RSCS for arbitration, but on the whole I am not convinced this is particularly prevalent other than the two schemes you are talking about.

Will Cockbain: We are concerned. We know there is plenty of good practice and that some very large estates have taken the view that the Uplands Entry Level Scheme is a replacement for HFA. They have taken a responsible attitude and are not trying to get

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their hands on 50% of it, or anything. However, we all seem to know of one case. We now have a couple of other cases. In one case agreement has not been reached and it has been dragging on for an awfully long time. There are other recent cases of which we have heard, for which we do not have all the facts and figures, where we are told agreement has been reached on a common, but that perhaps a larger percentage of the agri-environmental monies than is justified has gone to the commons owner.

During the development of the Uplands Entry Level Scheme we lobbied Defra quite hard about why the owner of a common needed to be a counter-signatory where the graziers could agree a management regime. Defra chose to go down the route of wanting the commons owner's signature, but it is a worry. We agree with William that it is not, to the best of our knowledge, hugely widespread, but where we have such cases they could lead to dangerous precedents, put farmers off applying for agri-environmental schemes on commons and also attract very adverse publicity to the general public about how money is spent.

Q128 Chair: To my certain knowledge, it is the small units and graziers with the right to graze who have not been paid a penny piece, which I think is regrettable.

Will Cockbain: Commoners have these inalienable rights to graze animals. What is happening now is that to have an agri-environmental agreement the grazier must graze less stock.

Professor Buckwell: I hope we will not make a big story out of one case, but the principles are that there must be a fair share of rewards according to risks, responsibilities and effort expended by the various parties. It would be wrong to try to prescribe a solution to this to fit all common land, or all grazing licensing arrangements, because the particular arrangements and rights and responsibilities of the parties vary enormously from one common to another and one part of the country to another. This area is a very complex one and the last thing we need is a prescriptive approach that tries to say what the solution should be. Get it down to the parties talking on the ground. Usually, the problem is non-communication.

Will Cockbain: I disagree. I think that at the end of the day there needs to be a bottom line.

Chair: To be honest, I would like to see a dispute resolution mechanism in place.

Will Cockbain: As to whether it is legislation or guidance, we have guidance and it is not being adhered to in a minority of cases.

Chair: I am sure we can continue this conversation outside the room.

Q129 Amber Rudd: I want us to address the issue of income forgone. I know the CRC report recommended that the definition be broadened to include the full cost of a farmer staying in business. Given the financial constraints we are under, how would your members respond if we applied that to the uplands alone?

Dr Clark: In terms of income forgone, we have been quite critical of it for a long time because it sends the

message to the farming communities that, no matter what they do and what the benefits are, they will be paid only to put them back to where they would have been had they not participated in the agreement. In those terms it is a very strange incentive regime. We think that a better approach, which would still be within the WTO rules, would be to take greater account of opportunity costs of participating in an agreement. You look not just at the costs of management and some of the fixed costs; you look at what farmers might otherwise have been doing. Other countries seem to be able to produce a much more generous payment as a consequence of income forgone using the same mechanism as authorised by the EU than we do in England. We think Defra need to be more imaginative about their use of that approach. It is also a great shame that under the 2000 to 2005 programme some incentive, a 20% top-up, could have been paid. To say there is an incentive here on top of income forgone for doing really well, or achieving something over and above just keeping to the rules, is a great idea. Surely, there are things that can be done in terms of income forgone that has far greater regard to that approach.

Q130 Amber Rudd: And the particular aspect of separating out the uplands?

Dr Clark: I think this approach applies not just to uplands but across the board in terms of environmental stewardship. I find it very difficult to justify saying that it applies only to the uplands. We have just talked about how lowland livestock farmers have some important environmental assets in their management. They also need access to that sort of approach.

Q131 Amber Rudd: Professor Buckwell, the CLA, in particular said something about having a definition such as "best alternative occupation", which is the same principle.

Professor Buckwell: Yes; it is the same principle as Andrew said. I absolutely agree with what Andrew said. CRC have offered a solution. The key thing is to persuade the Commission that these can be fitted within WTO rules, because that is the problem with all of this. I think your specific question was: can it apply to the uplands alone?

Amber Rudd: Yes.

Professor Buckwell: It is a good question. My answer would be yes, because that is precisely why we have had this inquiry given the peculiarities and problems of the uplands. The way you do it is by defining the LFA payments in this way. I think this is what the Commission have in mind in their leaked communication by switching LFA into Pillar 1, in a sense giving more of the whole payment to people in certain parts of the territory who farm in these particular conditions. We need a different approach for them. I think there is an acceptable argument to make that case.

Q132 Richard Drax: Do you think the National Parks Authority's interpretation of planning regulations prevents hill farmers in those areas from making a decent living?

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William Worsley: Having considerable experience of national parks and having served on a national park authority and living very close to one, I am very pleased that the Decentralisation and Localism Bill will look at the governance of national parks. I would like to see economy being included in the remit of national parks. This is really important. I would not want to see the powers of national parks enhanced. The planning problems are that much more acute in national parks than in other rural areas. There are planning problems in rural areas, as I have already alluded to. I think they could be dealt with. The key is the need for better planning guidance and interpretation of that guidance on the ground. National parks are very important, so we must not treat them lightly. The importance of them is the quality of design in national parks. We would like to see a more sensible and appropriate approach.

Will Cockbain: If you look at the percentage of applications passed, certainly in my own national park in the Lake District it is quite high. I do not think the national parks can be blamed for stifling farm development. What can be blamed is the fact that because of the regulation in place potentially some applications never go forward because they just do not tick the box. Of those that do tick the box and go forward, about 90% are passed, but, as we said earlier, we need flexibility to allow more potential applications to develop businesses within the parks.

William Worsley: There is one further point on this that I should have mentioned. It is very important that there is better landowner and farmer representation on national park authorities. That used to be the case and has become less so over the past few years. It is really important that the park authorities—they vary hugely—have on them adequate representation by people who actually manage the land.

Dr Clark: Guidance to national park authorities should recognise how important farming is in those areas. The national park authorities recognise it but the guidance from Defra has not done so in the past.

Q133 Neil Parish: I want to ask about the replacement of RDAs by Local Enterprise Partnerships. How will that affect rural areas and uplands in particular?

William Worsley: I think it is really important that LEPs have adequate rural representation on them, particularly when they cover rural areas. The key is to ensure that the needs of the rural economy are properly represented. What worries us about LEPs is that they will be largely urban-dominated, and “rural” will be ignored or left aside. That would be really worrying, so we have some concerns about the abolition of the RDAs.

Dr Clark: To exactly the same extent, we have looked through all the successful LEP proposals and they pay scant regard to agriculture, rural businesses and small businesses. It is in our interests to engage; we have to, and we want to make sure they take agriculture seriously. As to the successful ones, Cumberland and the Isles of Scilly seem to be ahead of the game; the others get pretty low marks.

William Worsley: We are also concerned about what will happen to the RDP money with the abolition of the RDAs.

Q134 Neil Parish: You say that the LEPs may not recognise agriculture, so are you telling me that the RDAs did?

William Worsley: The RDAs were very variable. As to my own RDA, Yorkshire Forward, we thought it was pretty good.

Dr Clark: Have you heard the phrase “better the devil you know”? Seriously, the Local Growth White Paper, which was partner to the LEP announcement, makes clear that the LEPs will not deliver rural development programme grants. They may become involved in the leader projects but there will be some other as yet undefined sub-national network.

Q135 Chair: In the interim are you worried that there will be a lacuna between the RDAs going and the LEPs starting as regards RDP money?

William Worsley: Yes; we are very worried about it; this is one of our real concerns.

Will Cockbain: I chair the North West Livestock Programme which is part of axis 1 RDPE and was run by North West Development Agency. I chaired the previous grants panel about a fortnight ago. As yet, the NWDA staff do not know what is to happen; they have had no guidance from Defra. The grant panel is made up of two or three agency people and quite a number of farmers give a lot of their time to go to it. I think it is an exceptionally good programme. Rosemary Radcliffe has been to visit it. We are worried about how it will be delivered in future.

Q136 Chair: I thank you most warmly on everyone’s behalf for being so patient with our questions and for your contribution.

William Worsley: Can I thank you very much? We feel this is really important, so important that we have done our own report on it, which we will submit to the Committee.⁴

Chair: Thank you very much indeed.

⁴ Reference report
High hopes: CLA report on the Uplands, www.cla.org.uk/Policy_Work/CLA_Uplands_Report

10 November 2010 Dr Nigel Stone and Peter Barfoot

Examination of Witnesses

Witnesses: **Dr Nigel Stone**, Chief Executive, Exmoor National Park, and **Peter Barfoot**, Head of Conservation, North York Moors National Park, English National Park Authorities Association, gave evidence.

Q137 Chair: You are both very welcome. I ask one of you to introduce yourself and your colleague for the record.

Dr Stone: I am Dr Nigel Stone; I am the Chief Executive of Exmoor National Park Authority, and I should like to introduce Peter Barfoot who is Director of Conservation at North York Moors National Park. Obviously, we are able to talk in some detail about our own national parks but where we can we would also like to represent our colleagues in other national parks.

Chair: Thank you for being so patient. I am sorry we have overrun. As you will have realised, there was a vote earlier in the day.

Q138 George Eustice: The Commission for Rural Communities said that we needed a national strategy for the uplands. Do you share that view, or is it basically the fact that the challenges they face are the same as those facing any rural community?

Dr Stone: You ask two questions: one is whether there should be a strategy. I do not believe that the uplands share the same problems of all rural communities. The uplands have the issues that face all rural communities writ large, often because of the nature and geography of the areas' remoteness etc. As to a national strategy, I would almost echo the response given by Dr Clark of the NFU. We have all seen lots of strategies, but we want a very clear statement from Government that the uplands are on the radar and that ministers are interested in seeing how uplands and upland communities are thriving. A number of suggestions have been made, such as ensuring that a ministerial portfolio includes uplands specifically. I would add something along the lines of ensuring that you monitor the state of the uplands from all three aspects—economy, environment and community—and that when policy is developed it does so against the particular barriers to engagement in the uplands.

Q139 George Eustice: But do you think you need a distinct set of policies for the uplands, as opposed to just one for rural communities; or is it the case that if you had a coherent package of policies for rural communities the uplands would benefit equally from it?

Dr Stone: There may be challenges in particular areas because of the nature of their rurality. I do not think we can say there should just be some upland policies separate from rural ones; there is a whole spectrum of issues and challenges. If we look at a subject that has already been mentioned, broadband access and telecommunications, because of topography there are particular challenges in upland areas. You may well have a particular focus on how the roll-out of those technologies takes place in a challenging environment. I think it will depend on the nature of the policy, but uplands and upland communities should be there and represented nationally so there is that kind of overview of policy impact.

Q140 George Eustice: What about between different upland areas? Basically, do all of them face the same challenges or are there differences between them?

Peter Barfoot: Obviously, there is a spectrum. Uplands are generally rural areas; they face the same challenges and issues as other rural areas. They also face specific challenges of their own, so in as much as there is a strategy for the uplands, issues need to be addressed that are specific to uplands. But do not run away with the idea that all uplands are the same; they vary considerably. We have seen some of the issues that arise here. For instance, earlier we talked about the assessment of the condition of moorland SSSI, which is the same from the west of Wales to the east of England. An upland that receives 100 inches of rain is very different from one that receives 30 inches. There are national issues relating to uplands, but there also needs to be flexibility in accepting in detail that these areas differ.

Dr Stone: I think the general challenges are faced by upland areas. The specifics of how they are responded to and addressed might be different in different places.

Q141 George Eustice: We heard earlier from the Tenant Farmers Association. Their concern was that the way subsidy had moved to area-based payments and Single Farm Payment disadvantaged a lot of their members and farmers, and CRC picked up the mood among farmers that they were just being turned into glorified park-keepers rather than actual farmers. Is that a sense you have picked up? Do you think that is a fair comment?

Dr Stone: Yes. Particular challenges are faced by tenant farmers. They do not have the options. Obviously, what they can do is very much determined by the nature of their tenancy and so on. The language about park-keepers is not helpful. I think their point—we heard it from the NFU and the CLA—is that this is about integrated land management. These areas deliver a huge range of public benefits, not public goods, to the wider community, and the people who essentially manage these areas and deliver that wide range of benefits, be they landlords and tenants, should benefit from that. Ultimately, there should be a synergistic relationship between landlord and tenant. There will be good and not so good landlords and tenants.

Peter Barfoot: There is no doubt that the availability of uncapped headage payments resulted in environmental damage in the uplands. I do not recognise the statement that it did not cause overgrazing; it did, and on a very large basis.

Q142 George Eustice: They say it was overstated.

Peter Barfoot: I can show you some stocking statistics that indicate that the introduction of certain types of headage payments resulted in a 30% increase in the sheep flock in the North York moors. There is a record here. Whether the pendulum swung too far the other way is a moot point.

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Q143 George Eustice: What do you think of the idea of some sort of headage payment coming back?

Peter Barfoot: I do not think it is necessary because it can be achieved the other way. You were discussing the issue of payments based on income forgone. The current European legislation already allows for cost of management. In our own experience, if we say we want someone to keep his sheep on the moor there is a cost involved in that and payment can be calculated against that. You are paying for active management; it is a positive payment, not a payment which says, "What you are doing will cost you, so we'll make up the difference."

Q144 Amber Rudd: The national parks' vision for 2030 includes "to foster and maintain vibrant, healthy and productive living and working communities". Is it necessary to have the well-being of local communities as a statutory objective in order to achieve this in the uplands?

Dr Stone: I think the evidence you received from the CRC was different and is slightly incorrect. Reference was made to national park authorities having "to have regard to", but we have the express duty to foster social and economic well-being, at the same time as achieving national park purposes.

Just to give you a flavour, national park authorities comprise mostly local people from the national park communities; they are people nominated from the constituent authorities that make up the national park area. Yesterday we had an authority meeting on Exmoor. One of the questions we asked members was what kind of topics they would like to have for briefing sessions over the next phase. I will read them out to give you a flavour. Members wanted to know how broadband and mobile communications roll-out across the park was getting on; they wanted to know how the reviews of CAP and LFA reform were going; they wanted to know how we were doing in terms of affordable housing provision; they wanted to know what we were doing in relation to the tourism economy; and the last suggestion was how we were doing in relation to achieving the management plan for the park. Those topics alone I hope give you a flavour of the attention and commitment within park authorities to the social and economic well-being of the areas. We are not narrowly focused at all.

Q145 Amber Rudd: I intended to go further and ask whether you thought the national park authorities were sufficiently accountable to local communities, but if the local communities are involved in them perhaps you have answered that question.

Dr Stone: We are the only planning authorities on which parish councillors get to sit. Because of the nature of upland areas I think the CRC report made a point about upland areas and their degree of representation. The nature of most upland areas is that they are covered by more than one local authority; they are often the rural hinterland to what may well be a much more densely populated urban area. The number of representatives that these upland communities have on their respective councils is often very small. That is getting worse because of boundary reviews and equalisation of populations within council

wards and divisions. That means there will be fewer people representing upland communities on the other local authorities. The nice thing about national parks is that those local authorities have the opportunity to appoint a person with that local connection to the park authority. Therefore, in the majority of cases we have people who live in or near the national park area.

Q146 Amber Rudd: So, do you think they meet the duty to seek to foster economic and social wellbeing within the community by having those local representatives on it?

Dr Stone: Yes, but the way it is phrased at the moment is as a supporting duty, so we still have the clear purposes. What we are trying to achieve is sustainable development; we are trying to achieve environmental, economic and social enhancement.

Peter Barfoot: Obviously, we are going through a review of governance, so there is a conversation on that. We will continue to work on it and see what our local communities consider to be the way forward. We are not saying that this is what we have and this is where we stay. You mentioned representation of farmers and landowners on national park authorities. In my case, 25% of the authority are farmers or ex-farmers who live in the national park. I do not know what percentage would be considered reasonable, but it is quite a decent representation of land managers.

Amber Rudd: That is encouraging.

Dr Stone: By the way, both our chairs of planning committees are farmers.

Q147 Chair: The Commission for Rural Communities told us that not one house has been built in Northumbria National Park in 20 years. How do you respond to the criticism that the planning restrictions are too tight within national park authority areas?

Dr Stone: Northumberland is exceptional in the sense that it has a very small resident community anyway.

Q148 Chair: If we take the more general point about lack of affordable housing, one case in North Yorkshire received a lot of public attention when rebuilding was not allowed and it just carried on as a dwelling. The other thing is economic development and allowing diversification.

Dr Stone: Affordable housing is a priority for all national park authorities. I believe we have policies that support affordable housing. In my own national park we have given more than 60 planning consents in the past four years and the majority are being delivered. I was interested to hear the answers you received from the previous set of witnesses. Policies like 'home on the farm' and the ability to convert existing buildings on a farm into dwellings already exist, certainly in our national park. The emphasis is on affordable housing above all other types of housing provision. Collectively, at present we have been incredibly innovative in what can be achieved basically within national planning guidance, and we are very willing to engage in the whole local community's agenda and see how that can be further facilitated. A real concern we have is that the barrier is not planning but funding. In particular, we are about

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to engage in a conversation with the Homes and Communities Agency about how the needs of uplands and national parks can be met against more general planned growth.

Q149 Chair: Would you respond to the specific criticism from the CRC because it is in their report?

Peter Barfoot: From knowledge of my own park, we have approved 40 affordable homes in the past three years. We have approved the building of a residential care home for the elderly in one of our communities. That was identified as being desirable by the community in the Esk Valley. I can think of numerous cases where we have approved the conversion of farm buildings for dwellings for sons or daughters of resident farmers. Where we do run into complaints about that we ask for an agricultural worker's dwelling condition to be placed on the original farmhouse; otherwise, it will just be sold off as a dwelling. We are also in the process of approving the use of derelict buildings for estate-tied workers, for instance gamekeepers. What we will not approve is the sale of a derelict building for conversion to a dwelling where there is no local need because there will be no end to that market.

Dr Stone: In the CRC's report there are lots of case studies, the majority of which are in national parks and have had the engagement of national park authorities in bringing them around.

Q150 Chair: Is there an issue about national park authorities representing people with interests from outside the area who have businesses, and could that be addressed through legislation?

Dr Stone: I do not understand that point.

Q151 Chair: My understanding is that in most cases to be elected to the planning authority you must have a business or be a councillor in that area.

Dr Stone: No. To be on a planning committee you would need to be a member of the council. Within the national park set-up the majority of members are either parish councillors or district or county councillors, but we also have some members who are appointed to the park authority by the Secretary of State. They have a whole variety of backgrounds, not necessarily business people, and on the whole they are not residents, although many of them have contacts. They are all equally committed to what is best for the local community. They certainly take the duty to foster social and economic well-being as a primary consideration for them.

Peter Barfoot: I think that is a recognition that the public benefits of national parks go well beyond their physical boundaries.

Q152 Chair: Turning to the Uplands Entry Level Stewardship, I am sure you are aware that in one case in North Yorkshire and, I believe, one in Cumbria there has not been agreement. Would you favour a dispute resolution mechanism?

Peter Barfoot: My understanding is that the root of this is within the European legislation and there is difficulty in being able to cope with multiple interests in single areas of land. It is also my understanding

that this does not apply just to agri-environment schemes; there are also issues where there is a Single Farm Payment with no physical boundary with the land. It may be something to address in the forthcoming CAP review. There needs to be a mechanism that accepts that two people can have an equal interest in an area of land and you might want to enter into an agreement with one but not the other. That is one side of it. The other is that there probably ought to be some form of adjudication, like an agricultural tribunal, where a decision is made and that is binding.

Chair: Is that what the court leet is meant to do?

Peter Barfoot: No.

Q153 Chair: I had never come across the court leet before. As a national park authority what do you think you can do to encourage a higher take up of UELS?

Dr Stone: We provide support to the farming community. Farmers come to us to enter into agri-environment programmes across the board. For example, on higher level stewardship we often provide farm environment plans and those kinds of things, which aid and facilitate their entry into that scheme. In relation to Upland Entry Level Stewardship, I guess that in most national parks there are opportunities for farmers to come along and get briefings on what is involved. It is not such an issue at the moment on Exmoor because a large number of farmers are still in the ESA agreements and so are in that transition phase. As to the design of the Uplands Entry Level Stewardship, while many of us regretted the loss of HFA if there was something put in place, I would commend both Defra and Natural England for their degree of engagement in trying to design a scheme that was accessible whether you are in the north or south west of England. But one of the real challenges is that it is a new environmental scheme levered into an almost non-existent gap between an entry level scheme and a higher level scheme. They are trying to lever another scheme into the middle of that and people are now juggling their points. One of the big challenges facing people is how they can reconfigure their applications to get a major benefit from it.

Q154 Chair: Would the Commons Act 2006 have helped if it had been implemented before the HLA changed to the UELS?

Dr Stone: I am thinking of individual farmers and their applications, which applies in the majority of cases in Exmoor. I think there are particular needs in commons. The majority are being resolved through discussion, collaboration and facilitation.

Q155 Chair: But those people have not had a penny piece in all the time this has been going on and would otherwise have received the HLA.

Peter Barfoot: The current scheme is over-complex. A lot of farmers struggle to fill it in on their own. We provide a lot of assistance to farmers in that respect. As Nigel said, it has come along on the basis, "Well, we're going to produce it as an agri-environment scheme." The entry level scheme is there, the high level scheme is there, and they try to force the UELS

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in between. There are so many issues with agri-environment that it is difficult to know where to start in trying to make them more accessible, less burdensome in terms of bureaucracy, cheaper to deliver etc.

Chair: That is very helpful.

Q156 Amber Rudd: The CRC report suggested that more of the available European funding should be targeted on the uplands and “less perhaps in some areas where it’s not being very wisely spent”. Do you think there is a case for rationalising public support to fewer farmers in the most valued areas?

Dr Stone: Can I circulate these diagrams?

Chair: We are running out of time.

Dr Stone: I understand, but basically, all it illustrates is the breakdown of income for an average upland farm in the south west of England and what the foreseeable prospects are likely to be. What has been said by other people who have given evidence here is that the public funding support is a critical element of farm income. These are areas that have particular disadvantages in terms of developing farm income and diversification and other sources of income, and these are areas that deliver high levels of public benefit. We would strongly argue that whatever the change in agricultural funding, both single payment and agri-environment, there should be targeted support for uplands.

Peter Barfoot: To expand on that, we have talked a great deal about farming, and uplands are not just about farming. The majority of the land is managed by farming, although in my own national park a significant proportion of the land is either woodland or grouse moor. Grouse moor is not farming but is very important to the economy; it brings in substantial amounts of money and employment and, if it is carried out sensibly and properly, it delivers a great deal by way of environmental benefits, but they are also rural communities. Our biggest single industry is tourism.

Chair: We will come to that, if we may.

Q157 George Eustice: I wanted to talk about the carbon and water markets, which we discussed with both the NFU, the CLA and the Tenant Farmers Association. I know that the national parks already work with some of the water companies to try to find ways to get income that can help farmers who adopt a particular type of land management. Can you say a little more about how those work and what the barriers are to doing more of it? I know the TFA were very sceptical about the value of it; CLA thought there was potential, but still obstacles to it. Do you have a view on that?

Dr Stone: I shall focus first on water because we have a very close working relationship with South West Water. They are actively funding to the tune of £3.5 million over five years peatland restoration projects in Exmoor and Dartmoor National Parks. We are also engaged with them and Natural England in doing some research, working with farming communities within a catchment on Wimbleball reservoir, which is owned and managed by South West Water, to look at how we can arrive at a sensible, practical set of

measures that would enable South West Water to reward those land managers for ensuring they do not have pollution problems in that reservoir. They are very keen to develop a practical approach to that. There are examples in other parts of the world where I understand farmers in catchments are rewarded for the quality of water that that catchment delivers. One of the complexities in this country is that often we have very fragmented ownership and different land management practices within the same catchment. I do not suggest that it will be straightforward and easy.

Q158 George Eustice: What is the actual model for doing it? Can you describe the model? Is it just a grant to do restoration?

Dr Stone: No. The current work is that the vision of South West Water, as I understand it, is to provide an annual revenue payment to farmers in catchments based on the quality of the water that that catchment delivers. I do not know the detail of how they would do that. I think they would say it is far more economic for them to pay people to ensure there is delivery of high-quality water than it is for them to put in treatment afterwards and deal with the problems of low-quality water. Therefore, they can make a business case for it. Centrally, they need Ofwat approval for it. They have Ofwat approval for the peatland restoration, but they have not yet got approval for the next step, which presumably will be in the next round of Ofwat reviews.

Q159 George Eustice: Is there anything that Government could do to remove obstacles or create incentives for this to happen?

Dr Stone: Yes. It would be excellent if Government would engage with the water companies and Ofwat in terms of the form this might take.

Q160 George Eustice: I want to ask for your view on the RDPE and how it should be administered. We know that the NFU in particular were sceptical about the LEPs taking on that role; indeed, the mood music from the Department is that they will not do it; they will probably administer it themselves. Do you have a view about how best to handle this fund?

Dr Stone: We have quite a lot of views. To describe it at the moment, I think there is a tendency to look at the four axes within the programme almost as separate entities, and that is not at all helpful when trying to look at some kind of integrated delivery. It is very difficult for small upland farmers without the capacity to engage in complex and expensive bidding processes to access these funds. To be fair to the South West RDA, they supported three hill farm projects in that area, one on Bodmin, one on Exmoor and one on Dartmoor, to work with the farming community and facilitate access particularly to axes 1 and 3, but we see real benefits in axis 4 and a leader-style delivery. Peter will say a bit more about that. We think that real opportunities for integration are being missed. To give just one example, axis 2, agri-environment, is about delivering environmental benefits. On Exmoor that often means farmers working together to do some moorland management and yet they cannot get axis 1 funding for the kit they need to manage it.

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Q161 George Eustice: One of the complaints I have had from farmers who have been involved in it is that although the emphasis from the European Union is very much on business development, albeit with an environmental dimension, the way Defra have cloaked it with their own guidance means it is driven down to very specific environmental projects.

Dr Stone: We have taken the RDA to task many times. They will always say that if you read the measures and objectives they all look really good. The problem arises when it actually comes down to the bits that they are allowed to do.

Peter Barfoot: I think we have a fundamental problem about integrated delivery. We have had two stabs at it with the ERDP and the RDPE and both times we have failed to achieve anything approaching integration. By “integration” I mean the old three-legged stool: environment, economy and local communities. We, in the North York Moors, provided the lead partner role for our leader partnership area, which is much bigger than just the national park. At the outset I was hopeful that if good projects came forward that fitted axis 1 or axis 2 we could say, “Well, this is joined up and we will draw on those funds and will be able to achieve more by joining everything together.” That was a pipe dream, and anything that came out of our leader process that was environmental could never even look at getting axis 2 money for environmental work. Therefore, we are just not joining things up.

In the uplands in particular, where there is a need for fine grain stuff that is community driven and bottom up, with good ideas coming from local communities, the attitude should be: “Right, we’ll run with that and it’ll work; it’ll provide two part-time jobs.” Two part-time jobs in an upland community is a lot. Part-time jobs and that type of thing enable a small farmer to get extra income. That is the level at which we ought to be working. I do not know all the machinations of the European regulations, but somehow we want to join it up, make it work and deliver it.

Q162 Chair: Perhaps I may ask one last question. There are a couple we have not had time for and we

would like to write to you about them. In the context of 70 million visitors to national parks a year, what ideas do you have for those visitors to support the farms and economic activity in an acceptable way?

Dr Stone: Quite a number of parks have voluntary visitor contribution schemes. I think the best worked-up example I know is in the Lake District where there is a separate body that administers and manages it in co-operation with the tourism industry. Many visitors will pay an extra £1 a night or for a meal and so on. Visitors will contribute in that way. We have a small scheme in Exmoor. I guess you do in—

Peter Barfoot: No.

Dr Stone: No, you don’t. So these things have been tried and piloted, but they are not substantial sums of money. The Lake District is the biggest and I understand that is over £100,000 a year. I would need to give you the accurate figures.⁵

Chair: It would be helpful to have those figures.

Dr Stone: The others of which I am aware are much smaller in scale. As to the potential to expand them—because they are complicated to run and manage—they are important, but I do not think they will replace other sources of funding.

Peter Barfoot: From the tourism point of view, it is a big economic driver in the areas.

Chair: I was thinking of bed and breakfast.

Peter Barfoot: Yes. Some farmers benefit directly; others do not. In making that link, in my own mind I have never come up with a satisfactory mechanism that is not hideously complicated and will not cost an awful lot of money to run. Effectively, from my own point of view it is a matter of visitors coming to the area and driving the industry. Taxes are paid and that is invested in providing the public benefits which some of the visitors come there to see in the first place.

Chair: Thank you for your patience. I apologise again for the inevitable delay in starting. I thank you and my colleagues so much for remaining. We will certainly be in touch again.

⁵ Ev 90

Wednesday 17 November 2010

Members present:

Miss Anne McIntosh (Chair)

Tom Blenkinsop
Richard Drax
George Eustice

Mrs Mary Glendon
Neil Parish
Dan Rogerson

Examination of Witnesses

Witnesses: **James Paice MP**, Minister of State for Agriculture and Food, , **Jeremy Eppel**, Deputy Director, Uplands, and **Dan Osgood**, Deputy Director, Environmental Land Management, Department for Environment, Food and Rural Affairs gave evidence.

Q163 Chair: Good afternoon. Minister, may I welcome you on your first visit to the Select Committee? You're most welcome. Would you like, for the record, to introduce your two officials?

Mr Paice: Yes, thank you, Miss McIntosh. On my right is Jeremy Eppel, who heads up our overall Uplands team, and on my left is Dan Osgood, who specialises in RDP issues and things like that, which are very relevant.

Q164 Chair: Excellent. Thank you very much indeed. You'll be aware this is the first time in about 10 or 15 years that the Committee has actually had a chance to look at upland issues. We're looking at this in the context of the Commission for Rural Communities Report around high potential, and looking to see how we can progress the recommendations there. Just as a general point, could I ask the Minister whether you believe that you're hampered in your work by the lack of a statutory definition of "uplands"?

Mr Paice: "No" is the short answer to that. I don't know whether it's convenient to you, Miss McIntosh, but I have a few notes. I would quite like to make a few opening remarks about our approach to the issue.

Q165 Chair: It will answer my first question, which is about your commitment to rural affairs, uplands and hill farming.

Mr Paice: Perhaps, as you say, it will do that. Thank you very much. I'm grateful to the opportunity to answer any of the Committee's questions. I start by apologising if, during the course of the proceedings, I burst into a coughing fit—I've got some sort of lurgey sitting on my lungs.

The Government does fully recognise the value and the significance of the uplands. By way of partly answering your initial question, when we refer to "the uplands", we tend to mean the areas called the Less Favoured Areas. It's not an absolute precise term, but it's fairly close and the one we tend to work to. We're very committed to promoting not just the economic but the social and environmental wellbeing of the uplands. As you'll be very much aware, the coalition Government attaches great importance to a sustainable future for the upland areas of England—of course, we are only talking about England—including the role they can play in a range of Government policies, not just pure agriculture, to the extent that, in the Government's Defra Structural Reform Plan, we

clearly state that we intend to develop affordable measures of support for hill farmers and, indeed, the Coalition Agreement refers to that. We are very supportive and welcome the contribution to the debate from the Commission for Rural Communities Report, to which you refer. We are, ourselves, carrying out a wide-ranging review of policies that affect the uplands, including the hill farming dimension, and so seriously, genuinely look forward to the outcomes of your deliberations. We plan to issue a ministerial policy statement on the uplands early next year.

I think it's worth remembering that hill farming provides an important combination of environmental, landscape and social benefits alongside pure agricultural produce. It has helped to shape the uplands landscapes and their communities, and it's an important source of stock for lowland livestock farming—the old strategic approach. As the memorandum that we submitted to your Committee made clear, all the evidence from Defra's experts and others tells us, unsurprisingly, that the economics of hill farming are extremely challenging, and that the numerous social and environmental benefits hill farms provide are not fully rewarded by the market for livestock goods, hence the difficulties. A sustainable long-term future for hill farming will require the economics to become more favourable, one way or the other. We want to identify ways where we, as a Government, can work with hill farmers to put them on that more secure economic footing, but we think that hill farmers will certainly need to focus on improving their own efficiency and margins, and on making the most of the income-generating opportunities that are open to them.

The work that Richard Macdonald is doing on farming regulations may provide some pointers about barriers that may be in their way, perhaps developing of leisure activities or whatever. As I implied earlier, Rural Development Programme funding through Axis 1 is very relevant in supporting businesses to become more competitive.

Q166 Chair: Could I stop you there, Minister, because we will cover a lot of these points, and I'm very conscious of time? As regards Defra being one of the Departments that deal with rural communities, and there are a number of other departments involved, do you believe that you will have sufficient influence in steering the Government through the work on rural communities?

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Mr Paice: Yes, we do. My colleague Richard Benyon leads on the wider rural issues in the Department, but we work obviously very closely together, and one of the reasons, as I'm sure the Secretary of State has already explained to you, why we decided we didn't need the Commission for Rural Communities any more is because there is a great wealth of knowledge within the ministerial team, for a start, but also within the Department and on the Government benches in the House of Commons—indeed, much of it in this room this afternoon. We feel that the understanding of the problems of rural areas is there already. Yes, we're determined to take forward the rural agenda and I know that Richard Benyon is in close conversation with other Departments.

Q167 Chair: On the actual proposal that the Commission for Rural Communities gave in oral evidence to the Committee, they would be quite keen to have a Cabinet-level post coordinating rural communities that they thought would be best placed in the Cabinet Office. Do you think that would be a useful addition or identification in Government?

Mr Paice: Obviously the structure of Government is not for me to comment on; it's a matter for the Prime Minister. As I said, we believe that we have the competence within the Department to do that.

Q168 Chair: As regards absorbing the staff of the Commission for Rural Communities into the Department, how is that being undertaken and do you believe that it might dilute the work that they've been doing on rural communities, which has been so welcome?

Mr Paice: I certainly don't believe that it will, to use your word, dilute the work that has already taken place. I can give you the precise situation as far as the absorption of the staff, etc. We announced, as you know, the intention on 29 June. Part of the reasoning behind it is the fact there is already a Rural Communities Policy Unit within Defra, as well as the CRC. That Rural Communities Policy Unit will be expanded and shared with staff from the CRC. We're not able to absorb all the staff from the CRC; we never expected that to be the case. The new Unit will have a total of 33 members of staff, as well as another three members who are operating the RDPE National Network, who will transfer from the CRC. We have about 17, in fact a bit more because of some vacancies that are already there, so 17-plus posts vacant that will be open to members of the CRC, and they will be interviewed in the normal, conventional way. That's the latest situation, as far as that process is concerned.

Q169 Neil Parish: Good afternoon, Minister. The CRC recommended the development of a national integrated strategy for the uplands. In February, do you intend to produce a rural strategy, an uplands strategy, a hill farming strategy or all three?

Mr Paice: Uplands.

Q170 Neil Parish: Uplands, okay. The Defra memorandum stated the issues facing hill farmers were common to all grazing livestock enterprises. Do

you think then that hill farmers are deserving of extra support?

Mr Paice: Yes, I do, and I made that clear in Opposition and remain of the view. Hill farming is particularly challenging. Obviously the climatic conditions can be pretty severe, with some very high levels of rainfall, and that impacts on the direct economics, because you tend to be using breeds of sheep and cattle that are hardier but slower growing and perhaps less suitable for their meat, hence the origin of the uplands being a source of breeding stock for the lowlands. Of course, they're often far more remote areas than other grazing livestock sectors, so there are a series of challenges there that make it a particularly unique thing. Then there's also the issue of actual farm structures. There are still a lot of basically very small single-person units in the uplands, which again provides challenges. One other factor I would add is that not all uplands are the same. The uplands in the north of England are very different, for example, from those in your part of the world. I was on Dartmoor last week.

Q171 Neil Parish: Being blunt with you, where do you see that money coming from?

Mr Paice: It's going to have to come out of existing resources, if we find any more. The precursor to that is to find the channel by which you can get the resources into the uplands. My original proposition was that we would try to put more money into the issue that I'm sure you'll want to talk about—the Uplands Entry Level Stewardship scheme. In fact, because that stewardship scheme is required by European regulations to be based on the concept of income forgone, it actually makes it very difficult to put any more money in, because it would be doing more than income forgone. Obviously post-2013 CAP reform, the picture may change but, in the short term, we're stuck with that. Assuming that we can find the right vehicle, it will have to come out of the Rural Development Programme money and, yes, that means something else will be cut. Ask me what; I'm afraid I can't tell you at this stage, but I do believe that it is deserving of more support, if we can find it.

Neil Parish: There is a special case.

Mr Paice: I believe there's a special case, if we can find a fair mechanism to do it, which doesn't contravene either UK or, more likely, European regulations.

Q172 Chair: Which aspects does income forgone include? I understand in other European countries you can have opportunities granted within the income forgone.

Mr Paice: Opportunities?

Chair: Yes, opportunity costs.

Mr Paice: Opportunity costs, yes. Certainly extra costs involved can be incorporated. The methodology of calculating income forgone is quite challenging. Maybe Dan can add a little bit to this in a second, with your consent, but the fundamental point is that, because the economics of upland farming are pretty thin anyway, the income forgone tends to be very thin. Indeed, some calculations have actually shown the reverse because, if the farmer, as some do, is making

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a loss then, arguably, the income forgone is a negative figure as well.

Dan Osgood: Just to add to that, under EU rules we're able to pay for the income forgone from an activity and also for any additional costs that the farmer may incur as a result of carrying out the activity, and also, in some cases, for transaction costs involved in the kind of management that we're looking for. That's essentially the limits of what we are permitted to do under the EU rules.

Q173 Chair: Would that change at the next stage of CAP reform?

Mr Paice: I've already said to commissioners that I would like to see that changed. If we genuinely value public goods, then personally I don't have a problem with the farmers being able to make a margin out of that, just as much as any other activity. Obviously I can't tell you what the outcome will be.

Q174 Richard Drax: Your policy, so far as uplands are concerned, is it to maximise food production and concentrate on that element of it, or will it be to manage the land for environmental and other reasons? I may just add that, as you know, there's a feeling among many farmers, not least hill farmers, that they're turning into park keepers. What will your strategy be so far as the hill farmers and the uplands are concerned?

Mr Paice: We have to find the right balance. There is no doubt, I'm sure from your own knowledge, Mr Drax, you know that some areas of the uplands have been overgrazed and have suffered in the past. There is now increasing evidence that some areas are being under-grazed. We are seeing bracken spreading in the uplands because of a reduction in stocking rates. We have to find the right balance, and I don't believe we have it yet. I've mentioned the Uplands Entry Level Stewardship scheme, which the previous Government brought in and we're continuing to introduce. In principle, I think it's the sensible way forward, but I'm not absolutely wedded to all the individual criteria. I think we need to look at the minimum stocking rates incorporated within it.

I think we need to understand that, if we are as a country opposing, as we do—and all political parties seem to share the view—subsidising production per se, and we're going to work on the issue of public goods, then it's not just a question of making the farming profitable in terms of the cost to produce a lamb or bullock or whatever it may be.

We have to look at the public benefits in terms of the water retention in the uplands, the carbon sink that is in the peat bogs, obviously the flora and fauna of the uplands—all those things. Indeed, the water retention feeds through to reducing flooding risks further downstream. I think we probably need to do more to put better values on those public benefits, as the means of channelling more funding in. I don't think we can go back to the days when farmers were persuaded or encouraged financially simply to fill the hills with whatever stock they could find and as many as possible. I don't think it was helpful to farming and it certainly wasn't helpful to the uplands but, certainly, you can't maintain the uplands and the benefits of the

landscape, etc—I mentioned the bracken encroachment, for a start—without adequate stocking rates. There is evidence that certainly in some part of the uplands stocking rates are now too low.

Q175 Neil Parish: Suckler cows are one of the big problems, because they're not terribly profitable on the hills, but you're not considering direct payments for suckler cows, are you?

Mr Paice: No, we're not considering direct payments for any individual production, because that goes completely against the trend of CAP development since the mid-term review, back in the early part of the decade. As you may be aware, the Scots are looking at that; they've actually had an element of it for some time. The latest report by Brian Pack, as far as the Scottish CAP is concerned, is considering an extension of that. I don't believe that's the right way forward. Certainly if you're going to talk about stocking rates, then that creates the opportunity to stipulate a balance of stock between cattle and sheep, and that might be the right way to do it.

Q176 Neil Parish: I think the Irish have a particular type of grazing, which they link to suckler cows and make the payment on the type of grazing needed. I don't know whether you'd consider that at all. I don't think the Commission likes it a great deal, but it was accepted by the Republic of Ireland.

Mr Paice: I'm not aware of it, sorry.

Q177 Chair: Could I just ask the Minister, do you think there's a disproportionate cost to upland farmers, particularly dairy producers, in meeting the slurry requirements of the new EU directives? I only ask because one farmer showed me what he's had to put in.

Mr Paice: This is for the Nitrate Vulnerable Zones (NVZ) regulations.

Chair: Yes.

Mr Paice: I haven't seen any evidence that it's disproportionate. I appreciate that the NVZ regulations are putting a lot of extra cost on a lot of livestock producers. I'm not aware of any evidence that it's worse in the uplands. There may be examples, I don't know.

Q178 George Eustice: You touched earlier on the fact that there's quite a difference between different upland communities. How easy is it to reconcile a national strategy on the uplands with the Government agenda of localism and allowing local communities to lead policy on things like the economy, with the Local Enterprise Partnerships and things like that? Have you thought about how that will integrate with the new localism?

Mr Paice: In so far as Local Enterprise Partnerships are concerned, you'll appreciate it is very early days. The answer is we're thinking about it, to use your phrase. We haven't actually got very far down that road yet, about how we integrate with them. You're absolutely right to address the apparent conflict between national policy and localism, but I don't think it is a real one. I think we need probably to improve our framework, and that's the substance of the

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statement we'll be making in the spring, from a national perspective. Then you can allow greater flexibility in local areas. For example, the issues that we've just been talking about, such as stocking rates, seasonality of grazing will be very different on Dartmoor, Bodmin or Exmoor compared with the Yorkshire Moors, Northumberland or Durham. I think we need to look at some of the Stewardship schemes with a view to greater local flexibility. I know for example that the Dartmoor farmers are working, with Natural England, on developing a wider spectrum of choice within the scheme so that they can find options that are more suited to them, but you need to move away from national prescription, so that schemes can be devised that are more appropriate for the local area. I don't think there's a direct conflict but, on the issue of LEPS, it's too early to respond.

Q179 George Eustice: One of the things we've picked up in evidence from the NFU, CLA and others was a sort of weariness of endless strategies for the uplands, and lots of questions but quite often not answers, and lots of people who can identify the challenges but, when it comes to the actual policy solutions. Can we expect the strategy that you are going to announce in February to have really concrete legislative proposals to offer the solutions or will it largely be statements of intent?

Mr Paice: I hope I didn't use the word "strategy". If I did, I didn't intend to, because I share the cynicism about the use of the word. It's a statement of what I'm proposing, a statement, to use your words, of intent, not necessarily legislative intent. I feel very strongly in this role that legislation is not the first tool that you reach for, because we all know how long it takes and it's difficult, and it tends to be rather broad-brush. I think there's a great deal we can do without legislation, in terms of change of culture, approach, localisation of decision-making and things like that. I can't pre-empt what we're going to say, but it will be a statement of intent. Because I share that scepticism, I will certainly want to make sure it contains serious action points that we can deliver on.

Q180 George Eustice: Have you got a view on timescales, in terms of getting early wins and things you might try to change quite quickly?

Mr Paice: I'm looking at UELS as one example where I think we might be able to make some changes relatively shortly. I don't know precisely a timescale, but that's an early win, as you rightly say. The issue I've talked about is stocking rates. That may be something that we can deliver quite early. Other issues will take longer. I think it's important to say that we're not just looking, in answer to Mr Parish's question, it's not just hill farming but the uplands community, farming communities. Issues like broadband and many other factors come into play, as well as pure Stewardship schemes, the price of lamb or whatever it may be.

Q181 Chair: On the localism agenda, the NFU recommended a sort of local panel, an uplands panel, which would include representatives of the industry. Would you consider that favourably?

Mr Paice: I'm not going to respond instantly by saying I'd consider it favourably. I would certainly consider it. It may well end up being favourably, but I'm always a bit dubious about setting up more panels and taskforces and things like that. I know I've done it, but I think we need to look at them all very carefully before we set up just another one, because it sounds good.

Q182 George Eustice: Clearly budgets are tight at the moment; there's no money. Is it sensible to try to spread that money very thinly to try to protect all of the communities, or do you think it could be better targeted, so that you either protect certain areas properly or focus the funds that we have in really making a difference in one or two key areas?

Mr Paice: I'm going to take issue slightly with the use of the word "protect", because I don't want to protect; I want to enable, encourage and stimulate, so that local communities can evolve and respond to the constant challenges. I certainly agree that we can be using money more effectively. Certainly if it's coming out of the Rural Development Programme, it has to be targeted at public goods. That's the principle of the programme. I don't believe that the current way it's being done through the Regional Development Agencies has been very effective at all. It varies slightly region to region, but overall I think it's generally accepted it has been pretty poor in terms of addressing the wider rural needs, not just uplands. I'd certainly agree there's huge potential for improvement there. I don't, at the moment, believe we should be looking at targeting particular areas, and saying, for the sake of argument, "Dartmoor is more important than Exmoor". I don't think that's the right way forward. We need to create the opportunities for rural communities and, in this context, rural farmers, to make the applications and make sure that the money's being used in the most effective way.

Q183 Dan Rogerson: When the Commission for Rural Communities gave evidence to us they picked on two issues in particular as being of importance—broadband and affordable housing. That certainly resonates with me, coming from the upland areas of North Cornwall and Bodmin Moor. However, responsibility for those two areas doesn't rest directly with Defra, so what influence does the Department have and what methods can it use to ensure that those things are given sufficient priority by other Departments?

Mr Paice: In both cases, quite a lot. In the wider rural issues, we have referred to our own objective about delivering broadband, and it's essential, not just in terms of pure farming, although it's important there if we're expecting people, as I do, to want to move towards, for example, all the Single Farm Payments being claimed online. Clearly, if you're not on broadband, it can't be done. It's also for other rural businesses as well. The direct answer to your questions is that not just our officials but, again, Richard Benyon is working closely with the Department in terms of broadband and, as you know, they've announced four pilot areas for the extension of superfast broadband in the rural areas, Cumbria and

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North Yorkshire being two of them. I can't remember the other two off the top of my head, but I'll come back to them. In that respect, the link is there.

Rural housing is an area of huge importance for me, from a personal interest. I was very involved with Grant Shapps in developing the policy that is now being worked up by DCLG for local community development, moving on from Community Land Trusts to the ideas, which you'll be aware he's working on, of communities being able to develop and give themselves planning consent, as long as a certain percentage—I believe it's now looking at 75% or whatever—are in support, and where the community can actually have equity in that property, whether it's shared equity, to rent or whatever. There's much more localised control. They are both very important issues to us and, out of genuine personal interest, it comes back to my earlier point about the wealth of knowledge in the team.

Q184 Dan Rogerson: That's very encouraging; the Coalition Agreement included a number of these sorts of issues for us to work on, which is great. However, further down the line, as the other Departments are getting to grips with their own priorities, spending pressures and so on, how will you maintain those relationships and that drive, and make sure that these rural issues are not lost?

Mr Paice: Simply by constant engagement and, as I say, genuine personal commitment and involvement from Ministers. I don't think any of us, even those of us like myself who have been shadowing for some years, fully appreciated the extent of the financial challenge we were going to face in Government. There's no getting away from it, as I know you discussed with the Secretary of State yesterday. There's no getting away from the impact of that, not just in terms of what we can do but of our own work schedules. The first six months have very largely been taken up with addressing it. As we've now got the Spending Review, every Department knows and is now working out the detail, and we're going to be in a much better position to pursue our policies and our approach. The bottom line to your answer is: personal commitment.

Q185 Richard Drax: Perhaps I should know this, but what is the commitment you have made to install the necessary pipe work, the necessary whatever it is, to get broadband out to rural areas? Where are we on targets, figures and money?

Mr Paice: The Spending Review committed £530 million of funding for broadband through the organisation called Broadband Delivery UK, BDUK, working closely with the private sector. BT and Virgin Media have already announced major network upgrades. As far as the particular rural issues are concerned, as I said, there are four pilot locations. I mentioned Cumbria and North Yorkshire; the other two are the Highlands and Islands of Scotland, and Herefordshire Golden Valley. That will help to establish commercial costs and challenges that are involved in rolling out superfast broadband. That £530 million will be used, some of it, for those pilots, and then clearly we will take forward those lessons.

I think the real answer to your question is there is no particular blueprint. In some cases, it will be possible to do it by rolling out fibre optics. In other cases, it may require radio or satellite transmission. A number of communities are already developing it; in Cumbria, again, there's a lot of work that has already been done to develop it. I have a small example in my own constituency where the BT exchange is just too far away. I don't think there is a particular blueprint; we have to provide the basic framework, within which local communities can find the right system for them.

Q186 Chair: Can I turn to Uplands Entry Level Stewardship, Minister? We were told by the Tenant Farmers Association that there are 9,000 potential applicants for the UELS, but so far only 3,000 have joined the scheme. What assessment have you made of the number of tenants and commoners having problems with the UELS and their landlords?

Mr Paice: We're working through them. I'm not going to pretend everything is coming up roses, but certainly the latest statistics, as of 8 November, show that there were already 3,000 live agreements covering 377,000-odd hectares. Although it may only be 3,000 agreements, it's actually 75% of the target area that we had hoped for, and is well ahead of the planned profile. We've had a total of 573,000 hectares as applications, or 3,600 if you want the number of applications. Within that, there are 108 shared common agreements. We are making progress.

There have been some issues. I had a meeting this morning about issues. This was in Yorkshire, but it applies elsewhere, where, for example, traditional estates already had agreements with the Treasury for relief on inheritance tax. There was the issue that you couldn't then claim UELS on features that were reasons for not paying inheritance tax. Therefore, we had to find—and our officials have found—ways around that. That, I think, has been resolved, certainly in the cases that we had. We're being innovative in trying to find solutions.

There are a few—but, despite hearing lots of anecdotes, I find it difficult to nail them down—issues to do with disputes between landlords and either commons graziers or grazing tenants who may not be commons graziers. As you know, the person signing an agreement has to have management control for a minimum of five years. Obviously, people who are only taking a grazing lease or who are commons rights holders don't have that and, therefore, the commitment of the landowner is important in that. I hear anecdotally of stories where landowners are being difficult or taking all the money and not reducing the rent. First, I don't actually get the chapter and verse, and nobody has yet come to me with a case of, "This is Landlord *x* and this is the problem." I'm not saying they don't exist, but I haven't had them. Secondly, it poses the question as to how far Government should go in actually intervening in what is a commercial relationship between landlord and tenant.

Q187 Chair: I will seek to make private representations to you, if I may. We've had cause to discuss previously a particular example in my own

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constituency, where agreement has broken down. Now because of the suspension of the scheme until, I understand, April, the graziers who were receiving Hill Farm Allowance stand to gain nothing in this financial year. I will raise that separately with you. Are you looking at possibly altering and weakening the management control over the land to allow the tenants to benefit, where it can actually in many cases be a lifeline in their survival?

Mr Paice: It's an issue that has caused me a lot of vexation, because I take the view that, from the farmer's perspective, although it may not be the case from that of the taxpayer, the Uplands Entry Level scheme is effectively an income replacement for the Hill Farm Allowance. I know we're asking them to do different things and it's all based differently but, from the farmer's perspective, that's what the cheque's for. I fully endorse the idea that, therefore, it should be going to the practising farmer. We are stuck with this requirement from the EU that you have to have management control. That's not something I have to alter because it's an EU rule, and I can't decide directly on who has management control. If you have occupancy for only a grazing season, nobody could realistically argue you have management control of the property.

Q188 Chair: From previous discussions I've had with commissioners, they don't seem to understand the position, and they think tenants are being treated in this country on the same basis as tenants in other European countries. I would argue that clearly they're not.

Mr Paice: That's perfectly reasonable, yes.

Q189 Chair: Was this something we'd have to take up in the context of the CAP review?

Mr Paice: It certainly is an issue for CAP review, but it's an issue that we, as we develop the statement I've been referring to, may well want to pursue ourselves.

Q190 Chair: In the short term, in particular the example of the case in my constituency, would you look at a dispute mechanism such as mediation to try to reach an agreement? At the moment, it has to be an agreement signed by the landlord but, if they withhold agreement, then the tenant cannot claim. That cannot be right.

Mr Paice: Obviously emotively, I tend to agree with you entirely that it can't be right but, equally, I don't think Government should be heavy-handed and go in and start interfering in that commercial relationship. I don't think it's the job of Government to set, to create or to intervene with a mediation approach. We have discussed this with the Tenancy Reform Industry Group and obviously separately with the CLA and the Tenant Farmers Association to try to find ways of mediation happening, rather than the Government imposing it, and I think that frankly is the best way forward. I'm happy to talk to you at a later date about your individual case.

Q191 Richard Drax: Minister, we touched on landlords and inheritance tax, two aspects of the next question. Have you discussed anything with the

Treasury about improving the tax situation in some way, to encourage the agricultural landlord to offer longer leases to tenants?

Mr Paice: "No" is the direct answer. Frankly, all discussions with the Treasury over the last few months have been on the other side of the balance sheet.

Q192 Richard Drax: How do you feel personally? Is there scope here?

Mr Paice: I don't pretend to be a tax expert, but I'm not sure that there's anything tax-wise that would directly impact on the length of a tenancy. If there is, yes, I'm more than happy to look at it. Obviously we will be making our representations to the Treasury in terms of next year's and ongoing finance bills in the future. I'm happy to look at any representation. I'm not sure that there is an issue directly but, with your knowledge, you may have more experience, Mr Drax, of where we could create that incentive.

Q193 Neil Parish: Carrying on with Upland Entry Level Stewardship, how are you going to monitor the environmental benefits, especially given the cuts likely to be made to Natural England funding?

Mr Paice: Let me firstly deal with that last point—the cuts. The Chairman referred earlier to "the freeze". Yesterday, we announced that the freeze is over, for want of a better phrase. The situation is—if I may digress for a second, but I think it's illustrative—the Higher Level Stewardship scheme has been a great success, no doubt about it, and that's good. When Natural England agrees a scheme and signs up to it, the budgetary impact of that is in the following year, because that's when the farmer gets his first payment. What happened was that, because of the uncertainty until the Spending Review of next year's budget, this year's approvals had to be frozen until Natural England knew how much money there was for HLS next year, when the bills would be paid.

We've now sorted that out and it does mean—I'm brutally honest, we've made a statement about this—that there isn't as much; it wouldn't allow Natural England to go on approving schemes in the rest of this financial year at the rate they did to start with, because long before that, they'd have hit next year's budget, even though it's for considerably more than this year. They are going to be able to approve a few more, mainly ones that are probably on their desk, but they haven't signed off. Then there will be a stall before any can be formally approved until 1 April, so that those payments then fall into the following year's HLS budget. I need to emphasise the point that we've made repeatedly: by the end of the remaining three-year programme of spending for Stewardship—that's the end of the whole RDPE period—there will be an 80% increase in the amount of money for HLS compared with the current year.

Neil Parish: Part of the Defra business indicators is to monitor whether it's good or negative to agriculture on these schemes.

Mr Paice: There's absolutely no doubt, even the NAO has made this point, that of the Stewardship schemes, indeed all RDPE money, HLS is probably the most cost-effective. I have to use the word "cost-effective", because we can't even be particularly precise about

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that. We are looking at all Stewardship schemes—and, indeed, other things—to see how to improve the cost-effectiveness for the taxpayer and value for money through introducing an element of output-related funding; in other words, what you're actually achieving in improving biodiversity, water retention or whatever the objective may be. In doing that, we are expecting Natural England to work much more closely than they have in the past with all the NGOs, the voluntary bodies, such as FWAG, such as the Game & Wildlife Conservation Trust, maybe the Wildlife Trust, etc, which we believe have credibility on the ground generally with farmers; they have a huge volunteer force as well as paid advisers. We think, if you like, it is part of the Big Society; it's involving the whole of the NGO sector much more in achieving outcomes for the taxpayer.

Q194 Neil Parish: If I can press you a bit further on that outcome-based approach for delivering agri-environment schemes, how would this work in practice, especially when it comes to stocking rates? Who are you going to take advice from on the level of stocking rates—the commoners, the environmentalists, who? As you probably know, up on Dartmoor and other places, there is a huge issue on who is right about the stocking levels and what they should be.

Mr Paice: The one person who won't be making that decision is me, because I don't pretend to have that detailed knowledge.

Neil Parish: Very wise, Minister.

Mr Paice: It's back to the earlier question about localism. It has to be a matter of local knowledge. It's why we need to move away from national prescription, from the idea that the stocking rate for the Durham Moorlands is the same as for Bodmin or wherever. There has to be much more local decision-making. What we're trying to work towards, and we're not there yet—I'm not going to pretend we are—is the idea that your local NGOs, working with the conservation bodies I've talked about, working with the local farmers or commoners, whoever they may be, and of course Natural England—they can't be removed from the equation—will come to an agreement about the appropriate one for that area.

If I may come at it from a slightly different way, it's a very clear example of where we need to move away from prescription to outcome. A lot of HLS agreements, and I speak as somebody who is actually an owner of or signatory to an HLS agreement, specify grazing dates: "You can't start grazing land before x and you have to stop by y ." First, those dates should vary depending on what part of the country you're in. Actually, it's the wrong approach anyway, because in different years the season's different. Also, usually in the agreements, it has to maintain a minimum of 4cm of sward length, for example. Actually, that's the outcome. If that's the figure, 4cm of sward length, you, the farmer, the grazier, the commoner, should be trusted to put on whatever stock is necessary to have a constant sward length of 4cm, if that's the figure. That's what I mean by much more outcome, because that's what you want. For whatever reason, it has been decided 4cm is the right length,

and that's what you want. You don't need to go into the whole prescription that you have to have your stock off on 1 November, or whatever it may be. In some years that would be too late; in some, it would be too soon.

Q195 Neil Parish: How are you going to stop your overzealous Defra officials and Natural England marching in and telling the farmers and commoners they have to do x , y and z ?

Mr Paice: Part of the challenge I have given Richard Macdonald is to change this whole culture. Obviously, restrictions on resources are going to influence that as well, but I'm absolutely determined to drive this culture change through, because it's so pervasive in agriculture and probably other sectors as well. We have to stop treating farmers and graziers as potential criminals, and assume that the vast majority will do the right thing and want to do the right thing. We have to be much tougher on the tiny minority who let the rest down.

Q196 Richard Drax: Can I just also ask about the environment lobby? While it should be respected, do you feel it has a very powerful voice, to the point now that farmers, many of them are feeling completely hidebound by all the regulations that you want to get rid of?

Mr Paice: That's very true and it's why I referred earlier to the need to involve the voluntary sector, because I think generally organisations like FWAG have far greater credibility on the ground with the farming community than state bodies like Natural England. That's a big step forward. I have to emphasise I'm not advocating that we stop looking after the environment; it is hugely, hugely important. We just have to find the right balance, and we have to find that in a way that involves those who are managing the land in that decision, rather than it being done to them, which is often the impression that's given at the moment.

Q197 Chair: You yourself have said, Minister, that the Government needs to do more to monitor whether environmental benefits under a UELS scheme have been delivered.

Mr Paice: Any Stewardship, yes.

Chair: You mentioned just now voluntary bodies. Which ones—Natural England, FWAG?

Mr Paice: Natural England isn't a voluntary body; it's a state body.

Chair: Which are the others?

Mr Paice: I mentioned FWAG, the Game & Wildlife Conservation Trust, maybe the RSPB, the British Trust for Ornithology, Buglife. There are many, many voluntary bodies in the conservation field, often with employees—I'm not saying they're all unpaid, but they're in the NGO/voluntary sector—who have a lot of particular expertise that may be relevant to a particular site.

Q198 Chair: How will you measure the environmental benefit and whether it's produced value for money? Have you set a baseline?

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Mr Paice: We can't set a baseline from here. The baseline would have to be set in the area where the scheme was going to operate, and it would depend entirely on the farmer or farmers agreeing with Natural England, ultimately, but also through the others, what we are trying to achieve. Is the objective of this scheme to improve water retention? Is it to increase the population of a particular bird or a plant? At the end of the programme, have we achieved it? That's at its simplest.

Q199 Neil Parish: The proposals on CAP reform are widely expected to move LFA payments into Pillar 1. If this does go through the final legislation, do you see the need to maintain the Uplands Entry Level Stewardship scheme?

Mr Paice: I don't think I'm in a position, to be honest, to forecast what view we will take of a possible decision in three or four years' time. We will find out tomorrow, when the Commission publishes its proposals for the CAP, whether they are sticking by this idea of moving LFA payments into Pillar 1. Our view is probably that that's not the right approach, because Single Farm Payment is complicated enough without adding any more bells and whistles to it. We will obviously consider whatever proposition comes forward. I'm afraid I'm not going to be drawn into speculation about what we may decide in three or four years' time, based on an unknown result.

Q200 Neil Parish: I can understand that, but we want to press you—because we all agree that we need to get more money into the uplands—on whether you see the Uplands Entry Level Stewardship scheme as very much part of keeping that money in the uplands.

Mr Paice: It's certainly part of it, yes. Whether it's the sole solution I'm not yet certain, but it's certainly part of it, because it is doing what certainly the Government believes is right, which is targeting payment for public goods—all the things related to managing the uplands, for which there is no direct market. Therefore, the taxpayer, through UELS, is actually funding that market.

Q201 Neil Parish: I think it could be argued quite clearly that the CAP reform, especially in England under the Defra proposals for spreading the payments, has actually meant that hill farmers have lost significant payments, because their payments were on cattle and sheep. They've lost a lot through payments being spread across the rest of England. I know you can't cure all those problems in one go, but I think that needs to be looked at.

Mr Paice: It certainly does need to be looked at. I'm absolutely convinced that the direct payment will continue post 2013 and, as you know, in England it will be entirely based on area by then. As at the present time, I suspect there will be probably two or three different levels of payment depending on land type, maybe more. These are areas we need to look at. It's what the Scots have been looking at quite carefully. There may well be scope within that to shift some balance of payments but, again, we're into the realms of speculation at the moment.

Q202 George Eustice: In the evidence we had from the Tenant Farmers Association, they were very clear that what they really wanted was a return to some sort of headage payment, and they stressed that they felt concerns about overgrazing in the past had been overstated—it wasn't as serious as some said—and that actually we were maybe ducking the issue here, because returning to a headage payment was the single most important thing that would improve the viability of these farms. Do you think that that's something that we could return to despite the trend away from decoupling? Around about half of member states do still have some payments, under Article 68, which are coupled to production in vulnerable sectors. Is that something that you'd be willing to consider here?

Mr Paice: Not in the short term, no. I think it would be a retrograde step, and I'm afraid I don't entirely go along with the view that the problems of overgrazing have been overrepresented. I think they were quite serious in some areas but, nevertheless, they are largely behind us and it's historical now. No, we as a Government don't support a return to any production-linked subsidy. That's the direction we should be negotiating through the next few years, for the future of the CAP to do away with Article 68 or whatever might come forward as an alternative option. We want to see an end to the current level of coupling, rather than start turning the clock back.

Q203 George Eustice: You talked at quite a bit of length earlier about income forgone payments, and this principle that you can compensate only for income lost or additional costs. I wonder if you could just explain what the barriers are to changing that. Clearly, you want to. Are other member states standing in the way? Also, is it purely an EU issue or is it a WTO issue that is monitored by the EU?

Mr Paice: I'm pretty sure it's purely EU, but I'm going to ask Dan.

Dan Osgood: It's both—it's EU and backed up by the WTO rules.

George Eustice: What would have to happen? If you have a consensus within the European Union, because other countries thought this was reasonable, is that something that can just be changed?

Dan Osgood: I would imagine you would have to secure change at the WTO level. If, at EU level, we were to adopt something that other countries felt was not compliant with WTO rules, they would take necessary action.

George Eustice: Which member states wouldn't want this to happen, either of the WTO or the EU?

Mr Paice: In the WTO, it's not so much the member states, but the risk is that America or Australia or any of the other countries in the WTO might challenge Europe if we adopted it. That's the point. The challenge on WTO would be outside Europe.

Neil Parish: It's trade distortion.

Mr Paice: It's trade distortion, yes. It's which box the payments or system is put into, the blue, amber or the green box. At the moment, Stewardship is all clearly in the green box.

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George Eustice: Would I be right in saying that, realistically, there's just not much hope of changing that rule?

Mr Paice: There isn't much hope of changing it in the very short term, no. When we get to the 2013 discussions, it's one of the numerous things in our portfolio that we will want to pursue. Clearly, it's—I hate to use the phrase again—a matter of balance. If you were to dramatically increase it, clearly you are running into the WTO problems. If you were to be sensible about it, then maybe we can finesse it to a level that is still acceptable within the green box, but does make it more advantageous to the uplands.

Q204 Chair: You alluded earlier, Minister, to the adverse weather conditions. Obviously, in the north of England, my old constituency of the Vale of York seemed to appear in more news bulletins than any other constituency in the country. Are you confident that, in the Commission's redrafting of Less Favoured Areas, we will not lose out in terms of weather conditions being reflected in the EU negotiations?

Mr Paice: I'm not sure I can really respond to that constructively. I'm never confident of anything that's being considered by the EU until it's been finally decided and we know what it looks like. I'm confident in our ability to do our best to ensure it doesn't, that Britain is not disadvantaged by it. Are you able to add anything to this, Jeremy?

Jeremy Eppel: Not really. Certainly it's an ongoing discussion that we're obviously keeping an eye on, but I don't think there's anything I can add at this moment.

Q205 Chair: Historically I remember that there's a small pocket of hill farms that used to benefit from Objective 5a, and then I think that changed under the redrafting of the rules. I understand that Luxembourg is about 98% designated Less Favoured Area, which, in the definition I referred to earlier, wouldn't come under our definition of uplands or Less Favoured Area. Are you internally looking at how we would plead the case to the Commission, in terms of your Department's negotiations with the Commission in this regard?

Mr Paice: I think I'd like to, if I may, write to the Committee when we've had a chance to think about this a bit more.⁶ As I understand it, the reason why the Commission entered into a review of LFAs was the sort of Luxembourg absurdity that you spoke about, with a view that it should really apply only to the really remote upland areas. We would have lost out, because they were looking much more at the high Alpine areas than perhaps Dartmoor or some of the moors that may not be actually very, very high in that respect, but we know are remote and difficult. If I may, I'll write to you.

Q206 Chair: In the CRC's definitions, they put, in percentage terms, Halifax, High Peak and Calder Valley as the three most—94%, 93% and 91%—uplands constituencies. The lawyer in me feels that, if we had a definition in this country, it would help our negotiations within the EU that we knew what we

were talking about, either in terms of uplands or Less Favoured Areas.

Mr Paice: I would be quite worried if we did it all on the basis of height, because we all know that there are some areas that we classify as uplands, hill farms, LFA, which are not that high up.

Chair: I think height, remoteness, rural deprivation—

Mr Paice: That's the trouble. Once you start moving away from a single point, and I don't think height would be the right one, you are into all sorts of other qualifiers. It's a bit like an elephant; it's difficult to describe but you know it when you see it. That's probably the best way of describing them.

Q207 Chair: Returning for a moment to the issue of tenanted land and looking at the EU definition, how do you hope to protect the interests of tenants and commons in this country, in the context of the CAP reforms? I'm mindful of the fact we won't know until tomorrow what the final version of the CAP reforms will be. It's just to come back to that fact that, at the moment, we seem to be disadvantaging our tenants in this country in comparison with tenant farmers in others.

Mr Paice: I have to come back at you: we will not know the final form of the CAP tomorrow; we'll know the first shy by the Commission as to what they think. I suspect the final result may be extremely different from that. In terms of looking after the interests of our commons and our tenants and everybody else, I can only give the Committee the assurance that both the Secretary of State and I are totally committed to our agricultural industry, and to achieving the very best outcome that fits all parts of it, whether you are a commoner, a milk producer, a grain farmer or anything else. We will be looking to achieve the best outcome for the UK, and I'm afraid that's the best assurance I can provide to you. I can't be more specific, because we don't know what the issues are going to be.

Chair: We stand adjourned, but we'll reconvene at 16.14.

Sitting suspended for a Division in the House.

On resuming—

Chair: Minister, welcome back. We're going to turn to a different issue.

Q208 Tom Blenkinsop: Good afternoon, Minister. The issue is rural development funding. Vince Cable said on 28 October, when he announced the LEP structure, that it would include investment priorities for transport infrastructure, coordinating project delivery, coordinating proposals on bidding directly for the Regional Growth Fund, high-growth business, new growth hubs, strategic planning applications. He didn't actually mention RDPE, but I know you've recently said that the LEPs would be coordinating RDPE bids. Is that the case?

Mr Paice: No, that's not the case and I'm not aware that I've said anything to imply it. There are two aspects to the RDPE. We have the remains of the current programme, the last three years. This is the money that's currently being spent. Axes 1 and 3, and what some people call Leader Axis 4—I call it part of Axis 3, but it's the non-environmental stuff—are

⁶ Ev 83

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currently distributed through Regional Development Agencies. Most of that money is already allocated, and we frankly have taken the view that it is not worth spending a lot of time and effort setting up new distributive structures all over the country for what is actually a relatively small sum of money left in that programme.

Q209 Chair: Sorry, Minister, could I just be absolutely clear on this? You say most is allocated.

Mr Paice: Yes, because this programme's been going four years, and most of it is ongoing expenditure. The RDAs, although they got off to a very, very slow start and hardly spent any in the first two years, have picked up and now a lot of funding, like Leader Group funding, is to a local partnership for the delivery of a series of purposes. The money is committed, so the spare money, unallocated, is relatively small, and therefore it's just not worth the effort of setting up widespread distribution systems for small sums of money. We're going to take the remainder of this programme back in-house. We'll be taking a small number of people back in from RDAs to deliver the remainder of this RDPE.

If we assume that there will continue to be an RDPE post-2013, and I personally believe there will be, it is at that point that we need to have an alternative system. Obviously, LEPs become very relevant at that stage because they'll be up and running, they'll have got themselves sorted out, and we know some of them are already saying they would like to take it on. I can't give you that as a clear decision, because it is too early. We have three years probably to work out what is the best way of distributing the non-environmental money and how we deliver the competitiveness agenda and the other issues to do with RDPE. At the moment, it will be coming back in-house for the remaining three years of the current programme.

Q210 Tom Blenkinsop: Okay, that's cleared that point up but, in terms of the Regional Growth Fund, if a farming business wants to diversify in any direction, Regional Growth Fund money is to be coordinated by Local Enterprise Partnerships.

Mr Paice: Yes.

Tom Blenkinsop: I'll give you a "for instance". My constituency's in the new Tees Valley LEP, but five miles down the road we have Scarborough and Whitby constituency and other North Yorkshire constituencies that are not currently in a LEP. Now, LEPs coordinate Regional Growth Fund applications. One farm in my constituency, five miles down the road from another constituency, could apply for that money now, technically, whereas the other farm in a non-LEP-covered area couldn't. Doesn't that offer problems?

Mr Paice: On the face of it, yes. It's more a question you're going to have to, I'm afraid, put to BIS, which is responsible for Regional Growth Funds and, indeed, LEPs. Certainly I can undertake to write to you with some more information on it, if you would like me to, but that is not Defra money. That money is not RDPE; it is not Defra money. Therefore, for obvious reasons, I'm not directly responsible for it.⁷

Q211 George Eustice: One of the criticisms I've heard about the RDPEs is that, although it's intended to be for rural business development—certainly that's the way it's drawn up at a European level—Defra has added additional guidance, which drives it down a focus towards agri-environment schemes, which makes it harder for farmers to access it for business development purposes. Is that something you recognise? Do you have any plans for that?

Mr Paice: It's certainly something I recognise. Forgive me if I venture into a teach-yourself lesson about RDPE but, as devised at European level, there are these three Axes. The first Axis is about the whole competitiveness of agriculture agenda, and a bit of diversification, possibly. Axis 2 is the environment. Axis 3 is what I tend to call "socio-economic rural community development", that sort of thing, and Leader is a part of that, linked to it. At European level, there is a whole raft of subsection issues, which can be assisted through each Axis. The previous Government decided to allocate 80% of the total amount of money to Pillar 2, the environment, and 10% to each of the other two. Not only did that automatically dramatically reduce the amount of money available for, if you like, competitiveness and access to farmers, but, at the same time, because the previous Government then chose not to adopt a number of the specific options, they narrowed it a bit more. Just to crown it, some RDAs then narrowed it a bit more.

Actually, to come back to Mr Blenkinsop's question, although from a different perspective, different RDAs will allow you a grant on different things. Some things that are in scope in some RDAs are not in another. All that is highly confusing. There is a lot of truth in what you say, that not every farmer can access it. The percentages have now changed a little bit away from that 10/80/10 scenario, but not dramatically, and certainly if we were to succeed in 2013, as I would hope so, in getting a bigger share of the Rural Development Programme, which the UK should have, I would want to revisit those percentages.

George Eustice: What do you think would be a fair split going forward?

Mr Paice: I don't think I frankly want to be drawn on it, because we haven't really got to the bottom of that. Certainly I think there are things that the previous Government chose not to have as options. For example, one option under Axis 1 at European level is the option to fund measures necessary to comply with European directives, the Nitrates Directive being a very good example. The previous Government chose not to adopt that option, so no English farmer can apply for money under that sort of thing. It's not just the totality of money in the split. I can't argue the split until I know what the size of the budget is, because I'm not going to sit here and say we're going to reduce spending on the environment. I don't want to do that anyway. I hope we can get a better overall package so that we can maintain or enhance spending on the environment and increase the competitiveness.

George Eustice: Is there any chance of changing it in year two?

Mr Paice: We can't change the amounts of money, no.

George Eustice: The split, sorry.

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Mr Paice: We can in terms of agreement with Europe. Yes, we could go to Europe and say, “Yes, we want to change the split.” The reality, given that we’ve just been through the CSR process and all these programmes have been under immense scrutiny, is we’re not going to try. We’ve already had to cool down spending across the piece, and I don’t think there’s any real scope now, for the remainder of these three years, to change the picture, as much as I might like to.

Q212 Mrs Glindon: Minister, can I just go back to what you were saying about post-2013 and the localism issue? You said LEPs are a possible way of distributing funds. If that didn’t happen through LEPs, the thing with the RDAs now is that they use local knowledge, which is important. I have an example in my own constituency, where the local abattoir just received £200,000 through One North East. It’s managed by Natural England, and the Forestry Commission has also okayed that money. That means we’re now going to have an EU-standard abattoir, and animals won’t be slaughtered out of the area as they have been for a while now. It’s about that localism issue. Is that not really an important part of distributing the funds to farmers? If LEPs aren’t the people to manage it, how will you hold on to that very local knowledge for the production industry as a whole?

Mr Paice: LEPs may very well be the right vehicle. All I’m saying, or meant to say—I hope I did say it—was that we haven’t made those decisions yet, because that will be for post-2013. We can’t do it at the moment because, as Mr Blenkinsop was saying, there aren’t LEPs in every area. As I say, because of the relatively small amount of money left unallocated, it’s just not worth the huge investment that would be involved in setting up new structures. Post-2013, yes, LEPs are clearly in probably the primary position. All I’m saying is that we haven’t given a definitive answer, but they may well be right.

Your point about an abattoir is extremely valid. There’s been one in Suffolk helped by the eastern region one in the last couple of years, from the same funding. They are very important and very relevant. If anything, I have a concern that LEPs may almost be too small in some cases. Some LEPs are going to be huge and some are going to be very small. You then face the issue of how rural individual LEPs are. One of the criticisms of even RDAs has been, in some areas, that they have frankly not faced up to the rural aspects of their region. That could be even worse with smaller LEPs. As I say, no decision has been made. I certainly haven’t come to any personal view on the subject, and LEPs are clearly a major opportunity.

Mrs Glindon: What I wanted to clarify was whether local knowledge will be an important factor. RDAs have local knowledge and can work with local communities. Will that be a factor? I think it’s important to upland communities—to any community—to know that the people making the decisions have the local knowledge. That’s the key thing I was trying to hint at, Chair.

Mr Paice: That’s the big achievement of the Leader programme, which I referred to. Leader programmes

are where funding is allocated sub-RDA to a partnership in a particular area. That may involve local authorities, the local agricultural societies in some cases, all sorts of local groups—parish councils, etc. They will then be allocating. That really is driving localism right down to a very, very small area—much smaller than a LEP area. That’s working now. That system is there and they’ve already got large sums of money out of most RDAs, and they are spending it locally. I used the example of the agricultural society, because I happen to know that, in the North West RDA, there are some agricultural societies, particularly the Cumbria Agricultural Society if my memory serves me right, which are leading the Leader programme, and actually making the really local decisions that we all think should be the basis of it. There is a lot of it already happening under Leader.

Q213 Tom Blenkinsop: The NFU’s Head of Policy Services, Andrew Clark, said, “Reading through the initial proposals,” regarding LEPs, “it is apparent that farming and food are recognised as key sectors by only a handful of LEPs.” You were talking about in-scope issues of RDAs being equally applicable to LEPs; I think you alluded to that in your comments. Given that the minimum threshold for bids to the Regional Growth Fund is £1 million, and given the small size of upland farming enterprises, realistically, how will upland farmers benefit from the fund, especially now as we also know—

Mr Paice: Sorry, what fund are you saying is a minimum of £1 million?

Tom Blenkinsop: In order to tap into the Regional Growth Fund via the LEP, you have to put in a minimum bid of £1 million. That was supposed to be for England excluding the South East; we now know, since Vince Cable’s recent announcement, that South East companies can apply for that fund as well. Do you think that will lessen the amount of money that farmers and agricultural businesses can tap into?

Mr Paice: I’m not going to pretend to you that I’m an expert on the Regional Growth Fund and how much money is in total available to it. Obviously it stands to reason that the wider any fund is spread or potentially spread, the slightly lesser chance there is for individuals. If your point is about a threshold of £1 million, clearly the agricultural industry—as I find in doing this job and going around the country—is a vast range of things. There are some cooperative ventures that are spending millions of pounds. For them to put up a million pound application to the Regional Growth Fund wouldn’t be a big problem. For the small guy who wants to put up a £30,000 slurry store, clearly it’s not going to be appropriate, but then maybe RDPE is.

Q214 Tom Blenkinsop: The point I’m getting at is that originally the Regional Growth Fund was supposed to be for areas excluding the South East. It now includes the South East. It’s been increased to £1.4 billion but, as you said or alluded to, there are bigger businesses or corporates that have the capital there to apply for that fund, but the small- and medium-sized businesses are getting excluded, especially as that Regional Growth Fund has to pay

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for roads. Now we know it's going to start paying for housing as well. That cash seems to be getting smaller by the day, doesn't it, for those small- and medium-sized businesses?

Mr Paice: Obviously it's going to be harder for those businesses to access that fund. As I say, and I'm not an expert on that fund, my objective is, over a period of time, to open out the opportunities within RDPE for those sorts of farming-related businesses, yes, as an alternative fund to the Regional Growth Fund. I think it might be best if I agreed, Madam Chairman, to write to the Committee on this to try to thrash out the finer detail.⁸

Q215 Chair: A couple of concerns: there should be a spread between urban and rural funding in this Regional Growth Fund; if the Committee could have a reassurance in that regard. The other thing that follows from the evidence we took from the NFU and the CLA is the lack of clarity surrounding what procedure and process is going to be over the period between the RDAs going and the LEPs—Local Enterprise Partnerships—coming into effect. I just think it would be helpful if Defra could clarify more and publicise more, what the process is going to be.

Mr Paice: That's a perfectly fair comment, Miss McIntosh. I'm happy to agree to that. As I say, we've only been in office six months and we've had a lot to do. We are working on developing all these processes. The announcements about LEPs were made only a very short time ago. Not all the country is being covered by them, so there's a whole range of uncertainties but, as soon as possible, we will be publishing the details of what we're going to do with the RDPE money for the rest of the current programme, and the process by which applicants can make their bids.

Chair: In the context of this inquiry, it would be very helpful if you would, Minister. Thank you very much.

Mr Paice: Yes.

Q216 Mrs Glendon: Minister, you've already mentioned affordable housing and the planning process in relation to communities making decisions, but could you perhaps tell us a bit more about what progress has been made on the Home on the Farm scheme?

Mr Paice: A little but, as I said, this is very much a responsibility of the Department for Communities and Local Government and Ministers there but, as I understand it, Andrew Stunell announced the proposal for Home on the Farm three weeks ago. It wasn't, as I understand it, designed to be the only solution; it was just one more option. There are some parts of the country like my own where, frankly, there are no redundant farm buildings because they've already been converted into offices, studios, houses or light industrial workshops, but there are parts of the country where that isn't the case. In those cases—this links to a manifesto commitment that the Conservative Party made before the election—we would start to consider farm premises as brownfield sites, so we'd ease up the planning constraints on them. It always struck me as daft that we considered a garden as a brownfield site,

but a farmyard as a greenfield site, which is a bit contradictory. We're sorting that out with a view that farm buildings, either direct conversion or indeed possibly just the site, can be used for, as you say, Home on the Farm; for housing.

Q217 Mrs Glendon: Would that entail increasing the Home on the Farm idea for perhaps not just someone working on the farm but in relation to retirement or the whole spectrum of buying a home if you need it?

Mr Paice: It's not about accommodation for farm workers, no. It's about residential accommodation, full stop—housing. It could be for retired farmers; it could be for young people. It's one part of trying to increase the stock of available housing in rural areas apart from grand new executive build, which clearly means most people coming into the area. It's about local needs. It is an opportunity for farmers to work with communities; it could fall under the example I used earlier of Community Right to Build, which DCLG is working on, or it could fall under direct development as a registered social landlord. There is a whole range of options. I'm not really empowered to speak on behalf of DCLG, but basically they're just trying to create the opportunities to free up the system for localism to work for local communities, local landowners, farmers and so on to find a solution that suits their particular circumstances—that fits their farm premises and their farmyards. These will tend to be ones that are no longer working farmyards, for obvious safety reasons, though not always. It's to free up the planning arrangements so that they can make those choices. It's not about a blueprint dictated from on high.

Q218 Mrs Glendon: When we were speaking with the Tenant Farmers Association last week, one of the things we were talking about, in relation to extending existing premises, was succession. It seems from what you were just saying that we could be moving away from the actual premises being used to keep a community in farming. Could they end up as second homes? I'm a bit confused here.

Mr Paice: I understand why you're confused, because I perhaps misunderstood where you're coming from. The issue of succession and tenancies I've always considered as hugely important, and nothing we're proposing gets in the way of that. A tenant farmer trying to make the most of their farm business and involve an element of diversification, may convert a property for a holiday let, for example. The previous Government did this work, to their credit, through the Tenancy Reform Industry Group that I referred to earlier, to change practice. Perhaps I need to write to the Committee to get this absolutely precise, but I think they changed some minor regulation to ensure that that sort of diversification didn't stop the inheritance.⁹

Chair: Was it Annex to Planning Policy Statement number 7?

Mr Paice: No, I don't think so; I think it was in agricultural tenancy legislation rather than planning. The problem was that, if a tenant diversified and the landlord said, "You haven't got consent to do that," it

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was deemed a breach of the tenancy and they could lose the tenancy. The rules for succession of tenancy require that the applicant for succession has over 50% of their income from the farming business over a period of—I'm not sure—three, five years. There is a precise period. This is part of the 1975 inheritance of tenancies legislation. What has happened is that there have been a few cases where the landlord has said, "Yes, but you haven't had half your income from farming on this farm, because some of your income has come from the diversification that has taken place on the farm, which isn't farming income," and they've lost the tenancy succession on that. I hope I'm making myself clear. This is what I think the Tenant Farmers Association is worried about: that the whole issue of diversification, which could include Home on the Farm, could actually deprive the next generation of succeeding to their tenancy.

I'm pretty sure, and I will again write to the Committee on the detail, that the previous Government and certainly the Tenancy Reform Industry Group came up with a solution to this problem, because it was clearly unjust. I will write with the finer detail, but I'm pretty sure that has been addressed and that, therefore, Home on the Farm is not a direct issue.¹⁰

Mrs Glindon: I think it's that we need to draw out more detail about Home on the Farm, because it's something we're not clear about in relation to other issues around development.

Q219 George Eustice: Just on this point, I think it's a very valid point that gardens are treated as brownfield and farmyards not, but how far down the scale do we go? You talked about generally these will be farmyards that aren't used any more. Are you thinking of 19th century old barns than can be altered into things, or of a whole load of, for example, sheds put up in the 1960s or 1970s, where the farm's since moved on and is no longer a livestock farm? Might those also be considered?

Mr Paice: These are issues which DCLG will be putting forward in the planning framework. I'm very hesitant about second-guessing what DCLG will say, but certainly the intention was it could be anything. Most of the really attractive, very old buildings have already been converted. There are examples that haven't, but the countryside is littered with old Atcost barns, corrugated iron sheds and things like that, which are effectively brownfield sites, yet they haven't been classified as one.

George Eustice: They're quite often quite unattractive.

Mr Paice: They're very unattractive, and yet they're going to sit there forever and a day because nobody's going to bother to do them up and they'll become more dilapidated as the years go by. It's that sort of objective that this approach is trying to address.

Q220 George Eustice: Will there be a timescale? You might have the problem of people saying they want to put up a shed spuriously to say that they need it agriculturally and then, five years later, go for housing on it.

Mr Paice: I can't answer that; that's something I presume the DCLG are looking at, but I'm afraid I don't know. It's obviously an issue that has to be addressed.

Q221 Tom Blenkinsop: On the National Parks now, Minister, the CRC recommended that National Parks should give equal priority to conservation, and economic and social wellbeing. Why did you not consider this option in your consultation document?

Mr Paice: I'm going to be honest with you, Miss McIntosh, this is Richard Benyon's responsibility and I had nothing to do with the National Parks consultation, but Jeremy has helped Richard on that, and may be able to answer the point.

Jeremy Eppel: I've had a little involvement in this. I'm not directly responsible for it. I think you're talking about the review of governance that was released quite recently, which is really looking at how each of the National Parks might find a more broadly based regime for their own governance. I think the question that the CRC posed is not excluded from that discussion, but it's a slightly separate question, and one that I think, Minister, can be considered as part of the work we're doing under the overall review of the uplands. They're linked but they're not identical things.

Mr Paice: That equal balance of responsibility is, if my memory serves me right, something that the Scottish National Parks have. I know Richard Benyon is sympathetic to it, but, as I say, we'll have to come back to you with the detail and look at it in terms of our statement. I know he's very conscious; he's actually been criticised, as you know, recently in the press, partly because he seems to want—it is alleged he wants—to add more economic aspects to a National Park, which some see as negative to the interests of a National Park. You're saying that he doesn't.

Tom Blenkinsop: No, I'm just wondering whether you'll be coming back to it and reviewing it.

Mr Paice: Yes, we will.

Q222 Tom Blenkinsop: Following that, the National Farmers Union told us that the rigidity of planning guidelines, rather than the lack of support from the National Park Authorities, was the main barrier to development in National Parks. What do you think of this view and will it resolve the issue of affordable housing and opportunities for economic development of National Parks?

Mr Paice: I certainly think there is some evidence that the National Park Authorities in some cases have been far too rigid. There's certainly evidence that, as you say, local needs housing, social housing and, indeed, housing for farm workers and farmers' sons has been a big difficulty for them. This crosses several issues. It crosses the issue of governance and the review that Richard has begun and Defra has already announced about the whole issue of what you can do to improve local involvement in governance. It also crosses into the wider issue of the planning framework, which will apply to National Parks as much as anybody else, and then of course, as you say and we touched on earlier, the issue of the balance of the importance of economic

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development. We are very much aware that there are concerns in some National Parks that local needs housing has not been given the priority that it deserves.

This whole issue is very much one of perception as to what you believe a National Park is for. Is it to be a “chocolate box” image, if I may use the analogy? Or is it to be, as the countryside is, a constantly dynamic changing environment, but where there is a particular element of natural environment, which is the reason it is a National Park, which obviously has to be protected and enhanced? Sometimes the balance isn’t right.

Q223 Neil Parish: Can I press you on that, Minister? I think a lot of public money goes into National Parks to conserve them, but we also need public access, so tourism is also very essential. There are arguments sometimes that the National Parks are too restrictive, and we’re not actually allowing enough diversification for people to be able to actually enjoy those areas. What’s your view on that?

Mr Paice: I’m not sure it’s right for me to have a particular view, over and above to report what I’ve just said, which is there is a view that the economic significance or the importance of economic activity within the National Park isn’t always recognised by the Park Authorities. It is open to individual colleagues and the Committee itself, if it wishes, to respond to the consultation that was launched a couple of weeks ago, to make that point. I don’t think it’s right for me to sit here and say one answer is wrong, when we’re out to consultation.

Q224 Chair: I was very taken, Minister, by what you said about the carbon and water market, in a positive way. You referred to the public benefits, and water retention in uplands and carbon sinks in peat bogs. Just in terms of encouraging water companies to work with the agricultural sector to improve water quality at source, how would this work, and have you identified any barriers that are currently preventing this happening at the moment? It might be more Richard Benyon’s area, but we have you before us today.

Mr Paice: Yes, I appreciate that. It’s both of us. I don’t think there are huge barriers as such at all. At the moment, we know that some water authorities are already working with farmers in their catchment areas to develop the management of the uplands in a way that helps the water companies. It’s a win-win situation because, if it reduces flooding, if it reduces pollution—I use the word “pollution” advisedly; I don’t necessarily mean chemicals, sometimes it is soil particles or whatever—and the amount of money they have to spend on cleaning up the water, that’s to their advantage. We know that United Utilities particularly are heavily involved in that. We have some research going on that will help to answer some of the other questions, like timescales. How long does it take between a farmer doing something and the benefit being seen in the water supply? The issue of carbon sequestration is an even bigger issue, where we’re doing some research. Any barriers would be

knowledge barriers, rather than legislative, as far as I know.

Q225 Chair: Just on the peatland restoration and my question to you at oral Question Time on the use of trains, *BBC News* actually carried the story of the Pickering pilot project in the constituency of Thirsk, Malton and Pickering, where, to prevent Pickering from flooding in the future, they are looking at a whole catchment area scheme. It’s very imaginative, and it involves planting trees and creating bogs, which I suppose you call “peatlands”, politely, and also little bungs along the North Yorkshire railway line. There is a concern that if the Forestry Commission, which is heavily involved in this project, has to sell off some of the trees, this type of pilot project will not be threatened in that way. It’s a very imaginative project and, if it works in Pickering, not only will we benefit but obviously it will be able to be rolled out in other parts of the country.

Mr Paice: That is an ideal local-decision scheme, with local people, local organisation (or the local arms of national organisations) working together to develop a flood-prevention or flood-alleviation scheme, and that’s eminently sensible and fits entirely with our approach. We would not want to do anything that prevented that. As far as the Forestry Commission itself is concerned, I’m not going to be drawn on our proposals, because we’re going to put forward a consultation document in the next few weeks, as I’ve already announced to honourable Members via a letter. I can say it will not be in the consultation: we will not be proposing to abolish the Forestry Commission, which seems to be the root of your concern.

Chair: No, it’s the sale of land. Until we see the Public Bodies Bill, we don’t know what you’re proposing.

Mr Paice: You can see the Public Bodies Bill, because that’s published and is being debated in the other place, but that doesn’t give you the information you seek, because all we’re seeking in that are the powers to do what we may decide to do in time. It’s a vehicle to get it right.

Chair: To be clear, it’s the sale of trees; it’s the sale of large bits of land. The Forestry Commission at the moment has a very large presence in my constituency, as in others, and obviously they will want a bit of security to know.

Mr Paice: Flood alleviation is a public benefit, and I have made it repeatedly clear in the letter I sent to every Member of the House, and indeed in oral Questions that, whatever we decide to do, if anything, we are determined to protect all the public benefits that currently exist. Indeed, part of the consultation will be actually looking at ways in which we can enhance those or guarantee their retention, so I really don’t think Pickering need worry.

Q226 Chair: Thank you. In developing markets for carbon, could you state how you intend to facilitate peatland restoration through the development of carbon markets?

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Mr Paice: No, I'm afraid I can't. That's a DECC issue. Carbon markets and how they operate would be a matter for DECC. Jeremy, have I got that wrong?

Jeremy Eppel: No, DECC is obviously responsible for climate change policy overall, but we have a considerable interest in the land management aspects of it. Defining how you account for the carbon is an issue on which considerable further work is needed. It's certainly something that's of importance and interest, and I think will potentially get some further consideration in the Natural Environment White Paper next year. Establishing precisely on what basis you can be sure that carbon is being either fixed in a peat bog or retained in a peat bog, for instance, would be important. It's an important area for further development, but we haven't found a solution yet.

Q227 Chair: We heard last week that the uplands are being mapped for carbon storage and water storage, but that's at a very early stage, I understand.

Jeremy Eppel: Yes.

Mr Paice: Yes.

Q228 Richard Drax: On succession and new entrants, the CRC said that it was "essential that [succession] is given prominence within our proposed uplands strategy". Do you think it's for the Government to get involved proactively to ensure this happens by changing the law, changing tenancy agreements or is it something for the Government to keep out of and allow the existing system to continue? How proactive should we be?

Mr Paice: As you're well aware, the general Government approach is to keep out of things unless it's really necessary. There have been many previous Ministers of agriculture who've entered into agricultural tenancy legislation and lived to regret it. It's a minefield. It's how I got into agricultural politics a long, long while ago. It's not something to be entered into lightly, which is why the previous Government was quite wise to set up what they call TRIG—the Tenancy Reform Industry Group—which brings together the various bodies, not just landowners and tenants, but also land agents and land legal specialists, to try to thrash out all the wrinkles of land farm tenancy legislation, etc, and wherever possible to avoid the need to change the law.

That group is operating; Defra sponsors it but that's the limit of it. They have not come forward with any clear recommendations on that front. If they do, clearly, we'll look at them very carefully and with a lot of sympathy, because I think it's a really worthwhile forum to thrash out these problems. If they've all agreed that something has to be changed, clearly, we need to look at it very positively. I'm not actually sure that it's the legal issues to do with succession that are the problem. Obviously, in my constituency, I don't represent any hill farmers, but I spend a lot of time on the uplands, and my understanding is that the issues of succession are more to do with the viability of the business, and the younger generation just don't want that very tough lifestyle for a pretty menial income.

Q229 Mrs Glindon: Will you be monitoring the sale of the county council farms and their impact on new entrants?

Mr Paice: Monitoring, yes; interfering, no. This is part of localism. County councils have to make their own financial judgments. Personally I think it's extremely sad if a county council decides to sell some or all of its land. I think I've encouraged them publicly before to think more widely—to think out of the box about it. It's not just a question of selling it, but of whether there are other mechanisms, or other institutions that might be able to take on a county estate or some of it, with a view to retaining the concept of holdings for new entrants. I think there has been just a tendency to think, "Well, we're going to get rid of it. We'll sell it whatever way we can." No, the Government doesn't take the view that we should be interfering in local decision-making. That must be for them but, as I say, personally I hope they will think very carefully before going down that route.

Q230 Mrs Glindon: Could Defra have some kind of stance, if it didn't want to directly interfere, on new entrants who are coming in from outside farming and obviously have skills? How important is that and how should that be fostered? Is there anything that you could do from that side—not directly interfering, but emphasising the importance of new entrants? I don't know if there's anything you think Defra could do indirectly to help.

Mr Paice: There are a couple of aspects to this. The first is the issue of having the right skills and qualifications to work in farming is hugely important, and Defra does have a big role in that, in the Agri-Skills project, and we're working to develop that, and in the narrow context of uplands. It's one of the reasons I was on Dartmoor last week—to look at the Moor Skills project, which was about farmers' sons and others going through an apprenticeship targeted specifically at uplands farmers on the moors, where a group of farmers had come together to pool their resources so that the apprentices actually worked for seven of them during the course of their apprenticeship and got a wide range of experience. Trainers came to them, because of the remoteness of the area. This was entirely a local initiative; it was a superb example. There is a similar one in Northumberland, because I know they copied the Moor Skills one. They're superb examples of how you get the skills into the next generation.

The other part of your question, if I may be so bold, is: how do you then give them a foot on the ladder? You then have to speculate, and this is speculation, as to whether that foot will always be a farm of their own, either a tenancy or even owner occupancy, and owner occupancy is obviously not going to be open to many people unless there's a family farm to inherit. I think more and more—and this is my crystal ball, but with a lifetime in and around the industry—that over the coming years we're going to see many more large operations, but with more good employment opportunities for young people. Not everybody may like this projection. Those young people may not necessarily be working for themselves; they may actually have a better income and a better lifestyle

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working for somebody else, a bigger farming operation. Certainly this is already happening in the lowlands. Whether it will happen in the uplands may take a bit more time. Given the extent it has developed in the last decade in the lowlands, I'd be surprised if it doesn't extend to the uplands. A lot more young people are working for big farming operations in the lowlands already, both in the arable side of the country and down in the South West, particularly in the dairy sector.

Q231 Tom Blenkinsop: I think you answered most of my points there, about borrowing lessons from manufacturing in terms of clustering, skills gaps and also the type of jobs that will be available. If the Minister does think farming is going to move to larger operations, couldn't Defra take an arbitration or a facilitating position, working with bodies like the Tenant Farmers Association, to look at options going forward for how the industry will evolve, not necessarily taking direct regulatory steps or having direct influence, but maybe covering some options where you could work with the bodies so you could steer or guide the industry?

Mr Paice: I certainly don't think it's for the Government to say what the farm structures should be, whether we should all go to big farms or small farms or whatever. I think that has to be a matter of commercial decision-making. Our job, as I see it, is to create the economic environment—and I include the natural environment in that, because that is now an increasingly economic aspect of agriculture—in which businesses can make the right decisions, whether they are big businesses or sole entrepreneurs, about how they take forward their business. I'm more than happy to talk to anybody and, if a group of the industry or the whole industry was to come to us and say, as you suggest, "We'd like you to be honest broker in some negotiations or discussions," I stand ready to do that. What I'm not going to do is say, "Government's going to have a blueprint and this is what you're all going to do." That's not for us.

Tom Blenkinsop: Don't you think there's a clue in terms of having a succession plan, that there is a plan?

Mr Paice: Do you mean a Government plan?

Tom Blenkinsop: Or a view at least of a number of different ideas that could be brokered or arbitrated, rather than just leaving it to the market.

Mr Paice: It's not entirely to the market. It's a matter of individual choice. If you look around the farming industry today, you will see massive variations. At one end of the stream, it's the biggest farming companies, the cooperative farms. They're not involved in dairy anymore; they're primarily involved in arable but not entirely—top fruit and things like that—where they employ large numbers of highly skilled managers, earning substantial salaries; a good income. You have that at one end, with great career opportunities for those who want it, and you have some really top-class small farmers who've found a niche market for some local product. They're in individual cheese or whatever it may be, and they're being successful too. Out there, there are a whole range of models, and, of

course, there are those who are struggling with whatever model they're in.

I'm always wary about Government poking its nose in where it's not really necessary to do so but, as I say, I'm always ready to be there as an honest broker, if you like. If there is need, and I don't want to reject your suggestion out of hand, if there is a need for that sort of role then, yes, I stand ready to help. My job, as I see it, is to help the farming and food industry prosper. I would hate us to think of farming purely on its own; it's part of a bigger industry.

Q232 Chair: Are you concerned about the average age of farmers in the uplands?

Mr Paice: I am, because it's rapidly getting to be older than I am. For years I've always argued that I was younger than the average age, and those days are changing. I am concerned, but actually it hasn't changed very much for a very long time. What I might call Paice's Thesis on this is it's the age of the man who fills in the questionnaire that goes up, and quite often the guy who's doing the work is the farmer's son in his 30s or 40s. Dad does the office work and fills in the questionnaire. "How old are you?" Tick the box. I've got absolutely no evidence that that is the case, other than extreme scepticism. When I go around and go to the meetings of NFU or other groups of farmers, the average age is not 59 or anywhere near.

Chair: It's in your memorandum as 57-point-something.

Mr Paice: Whatever it is, I take that with a pinch of salt. To be serious, the issue is important, because it comes back to succession.

Chair: New entrants as well.

Mr Paice: That's what I mean. When I say "succession", I don't just mean inheritance-type succession. I mean succeeding the older generation into the industry in any form of employment, either as an employee or as a business operator. It is important, and that's why we're putting so much emphasis, as I say, on the whole skills issue.

Q233 Chair: Right at the outset, in your statement, you referred to uplands farmers becoming more competitive and getting better margins. Do you think they've done this already? Why have they not done it? Are there any obvious barriers in their way and are you doing anything to remove them?

Mr Paice: I certainly don't think it's all been done. Like every other sector of agriculture, you will find a great variation between those who are really pioneering, moving ahead, developing modern systems, being very competitive and making a reasonable living, and those, given a similar opportunity, who for one reason or another are not picking up the challenge. That applies to hill farms as much as any other sector. Why may it not be happening? I suspect, and again this is me talking from experience rather than an evidential base, they are more remote in the uplands, and therefore issues of communication and learning what others are doing, etc, are going to be harder. There are, as I said earlier, quite a lot of very small farms in the uplands still. I suspect we haven't been through some of the rationalisation of farm structures in the uplands that

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we've been through in the lowlands, particularly in the eastern half of the country, making farmers bigger and therefore more viable. Partly it will be lack of profit, over successive years, to invest in the future. One obvious area is winter housing. A lot of upland farmers still leave their stock out all winter, which is extensive but can be labour-intensive, because of the time taken to check them, etc. It also often has environmental consequences of poaching etc, and it probably means you have to keep the more robust, hardy breeds of stock, whereas if you were winter housing you might be able to have slightly more economically efficient breeds of stock. I don't want to sit here and pretend I have a solution for everybody; I haven't. However, winter housing should be something that, as long as it's part of a sensible business plan, in my view, should be part of the Rural Development Programme, the ability for farmers to access it for that. I'm not saying everybody would get it, but in principle it should be suitable, and that comes back to the earlier discussion about the direction in which we should be going.

Q234 Chair: Finally, looking at a sustainable future for the uplands, what place do you think farming will play in that mix, and do you think we have the balance right between agri-environmental measures and production?

Mr Paice: I'm very optimistic about farming's future, as a general industry but, as I implied a few minutes ago, I do think it has to see itself—and I'm afraid this is a criticism of much of the farming industry—as part of the food supply chain. If it can be seen like that, it will have much more economic clout politically. I don't just mean here or partisanly, but generally. I do think, if you look at the global prospects for food over the next few decades, there is potential for great prosperity. The uplands have a right and the

opportunity to share in that increased prosperity, but they have unique challenges and we've talked about them this afternoon. I think there is a good future for farming in the uplands. I also think it's critical for the future of the uplands because, as we touched on earlier about stocking rates and things like that, the very beauty of the uplands, which attracts the tourism that Mr Parish was talking about, which is of greater economic value to the uplands than farming is, is there because of farmers. Forgive me, I've said this a number of times. All the dry stone walls that people go up to see because of the picturesque view, they weren't put up with an Arts Council grant; they were put up to keep sheep in. It is because of farming that we have that landscape and, therefore, it is essential if we're going to maintain that landscape, enhance and improve it, that farming is part and parcel of it.

Q235 Chair: Just on Mr Parish's point and Mr Blenkinsop's, on actually working with tourism and diversification to bring money from the tourism industry into the upland economy, do you think there's more we could do to tap into that?

Mr Paice: I'm sure there's always more we can do to tap into it, but that's really a role for DCMS and the tourism sector. I know, again before the election, when I was talking to my then colleagues in that team, they were very enthused by the need to increase rural tourism. That is within scope of the RDPE, all of which feeds back to my answer earlier about the need to make sure we have as much resources in that programme as possible.

Chair: When you do visit, we can recommend some very good B&Bs. Minister, can we thank you most formally for being so patient, so kind and thorough in answering our questions as part of this inquiry? To you and your team, thank you very much indeed.

Mr Paice: Thank you very much indeed.

Written evidence

Written evidence submitted by the Tenant Farmers Association

1. INTRODUCTION

1.1 The Tenant Farmers Association (TFA) welcomes the opportunity of providing evidence to the Select Committee as part of its inquiry into Farming in the Uplands and specifically the conclusions of the “High ground, high potential” report from the Commission for Rural Communities (CRC).

2. TFA VISION FOR UPLAND AGRICULTURE

2.1 In the TFA’s 2020 Vision for Agriculture published in August the TFA argued that by 2020 there should be a new framework for ensuring sustainable development of upland areas with support focused on re-establishing ruminant livestock production as the cornerstone of land management for these fragile areas.

2.2 We view the work carried out by CRC which culminated in its report “High Ground, High Potential” as a significant contribution to seeing this vision become a reality. However, it is our great concern that with the abolition of the CRC the important recommendations contained within its report will be lost and this must not be allowed to happen.

2.3 There is much within the CRC report which chimes with the concerns of the TFA. We attach, as an annex to our evidence, the section of our 2020 Vision report issued in August 2010 which deals with upland agriculture as we believe the Select Committee will find this helpful in coming to its own conclusions about how to take the CRC work forward.

2.4 Given the comprehensive nature of the CRC report it covers areas which are beyond the TFA’s remit. However, we set out below our comments on some of the most important recommendations from the perspective of the tenanted sector in agriculture. In view of the constraints on the length of evidence required by the Select Committee we keep our comments as brief as possible.

3. A NEW INTEGRATED STRATEGY FOR THE UPLANDS

3.1 The TFA supports the recommendation that the Government should develop a comprehensive and integrated strategy for England’s uplands. There are many agencies, public bodies and other organisations with an interest in the uplands each of which emphasise particular aspects of the uplands without seeing the whole picture. A more integrated approach could deal more effectively with competing demands and create a more sustainable basis for the way ahead.

4. STRENGTHENING LEADERSHIP AND MOMENTUM

4.1 As stated in the introduction, the TFA is gravely concerned in light of the demise of the CRC that there will not be a sufficient advocate for the uplands and the for recommendations made in the CRC’s report in the future. It is vital that someone or some agency is given responsibility to take this work forward.

5. A NEW APPROACH TO FUNDING

5.1 The TFA agrees wholeheartedly with the conclusion that we need a new approach to rewarding farmers for managing the uplands. We believe that it was wrong to move support away from breeding animals which are integral to the management of the upland environment.

5.2 The TFA has long argued that it is important that people are rewarded for their work according to the full costs the farmer has to pay and the risk which he takes. However, it is also important to ensure that mechanisms are put in place to prevent the benefit being siphoned off in higher land values or higher rents.

6. SECURING THE FUTURE FOR HILL FARMING

6.1 The TFA has been very critical of the decision to move to the Upland Entry Level Scheme (UELS) particularly in view of the number of upland tenants who are disenfranchised from the scheme due either to short lengths of term or their landlords being the UELS applicants. Whilst Defra figures show that Upland Entry Level Scheme applications are increasing there are still some 70 to 80% of farmers who had previously received HFA who have not yet been able to get into UELS. The income gap on these farms will be significant.

6.2 The CRC report calls upon the NFU, TFA and CLA to work with the Government to develop proposals and to facilitate good practice in ensuring succession of upland farms. The TFA stands ready and willing to be involved in this work but has not yet been approached by Defra to take this forward.

6.3 R&D is vital to any business and with the tight margins in upland, ruminant livestock it is difficult for such R&D to be funded by the farming community. Given the wider benefits to rural communities and the upland environment associated with ruminant livestock the TFA believes that it is legitimate for the

public purse to pick up at least some of the cost of applied research and development to improve breeding and techniques in upland areas. It would also be beneficial to approach the Agricultural and Horticultural Development Board to encourage it to prioritise upland agriculture through its EBLEX research budget.

6.4 The TFA would also support the identification of a specific agricultural college which could take an uplands specialism. This would highlight the importance of the sector and help to coordinate training and learning appropriate to the skills needed for upland farming.

7. CONCLUSION

7.1 This evidence has touched on only a few of the recommendations of the many which are contained within the CRC report. The TFA believes that the work conducted by the CRC is the most significant piece of work on the uplands for a generation. Whilst the uplands have been the focus of attention from a number of bodies in the past this is the first piece of work which genuinely takes an integrated approach to the issues being faced by upland communities. The TFA believes that the report sets out an important blueprint for public policy on the uplands and the opportunity for making real, long-term and sustainable change for upland communities must not be squandered.

October 2010

Annex

SECTION 8 OF THE TFA'S 2020 VISION FOR AGRICULTURE FROM THE PERSPECTIVE OF THE TENANTED SECTOR OF AGRICULTURE 2020 VISION FOR UPLAND AGRICULTURE

By 2020 there should be a new framework for ensuring sustainable development of upland areas with support focused on re-establishing ruminant livestock production as the cornerstone of land management for these fragile areas.

8.1 The hill areas of England and Wales are important national assets from a number of perspectives. By their very nature they are physically, socially and economically remote. Agriculture continues to be, and should continue to be, the mainstay of economic and environmental management for these areas despite the severe natural handicaps encountered by farmers who operate in hill areas.

8.2 Hill areas are also extremely important in the wider agricultural industry as they represent the beginning of the livestock production chain. It is the crop of lambs and calves from our breeding flocks and herds in hill areas that are finished further down the hill on lowland units before entering livestock markets and abattoirs on their way to supermarket shelves. This system of integrated production has operated in the UK for centuries and the impact of the loss of breeding flocks and herds in hill areas experienced over recent years should not be underestimated in terms of the impact on the wider economy, rural social structures and the rural environment.

8.3 Farming in hill areas provides the most reliable and coherent basis upon which the management of our most beautiful and yet fragile landscapes and ecology will be achieved. The knowledge contained within the farming community in hill areas is invaluable and must be the primary source for new policy development. It is not overstating the case to say that the skills of livestock and moor management are bred into hill people and just as the sheep are hefted so are the people. Without the hill community in the uplands making money from ruminant production, the landscape will change out of all recognition in a short period of time. Once it has gone it will be nearly impossible to get back.

8.4 Given the harsh and fragile conditions experienced by farmers in the hills, land management is both costly and difficult. Without public support many of these farms would find it impossible to break even.

8.5 Hill areas have been badly affected by a number of major shifts in policy and in reward structures over the past 10 years. The TFA would argue that the most significant of these negative impacts was the introduction of the Single Payment Scheme in 2005. It provided a specific, major blow to farming in the Severely Disadvantaged Areas (SDA) and had wider ramifications through the ending of payments on breeding livestock rendering those enterprises relying upon breeding stock in difficulty and now in decline.

8.6 The Suckler Cow Premium and Ewe Premium (and their LFA supplements) provided an essential base line level of support to cattle and sheep breeders in hill areas. The rationale for removing them was that the breeder should look to the market place for his return. However, the reality of the situation is that no extra return has been gleaned from the market place following the removal of the breeding premiums which has led to the contraction of cattle and sheep numbers in the hills which has in turn led to inevitable implications for the natural environment including the incursion of bracken and other evidences of under grazing. The TFA's view is that renewed consideration should be given to how upland livestock production should be supported for the food, environmental and social benefits it brings.

8.7 The move, in England, from hill livestock compensatory allowances (HLCA) to hill farm allowance (HFA) also caused major disruption as it moved payments from land occupiers to land owners either directly or indirectly through rents. This has been exacerbated by the previous Government's later decision to move from HFA to an Uplands Entry Level Stewardship Scheme (UELS). Aside from some general difficulties with the scheme this will add further problems specific to the tenanted sector.

8.8 Firstly, since the UELS requires participants to sign up for a five-year term, there will be many tenants either on short term agreements for less than five years, or on longer agreements which now have less than five years to run, who will not be able to access the scheme without their landlord's consent. In a significant number of cases, landlord's consent will not be easy to obtain. The TFA is gravely concerned that these individuals will be disenfranchised from the new scheme and will therefore experience a significant drop in their income in comparison to what they were able to achieve under HFA or HLCA.

8.9 Secondly, we are also concerned about those situations where the ELS agreement has been taken out by someone other than the farm tenant. For example, many landlords in upland areas have applied for and been accepted into ELS. In these cases it will be up to the landowner concerned to decide whether or not to take part in UELS to the exclusion of the tenant.

8.10 UELS has many drawbacks which will impact negatively upon its ability to meet its stated objectives. Along side the problems for the tenanted sector identified, at its core, it fails to address the real need of finding a mechanism which will sustain ruminant grazing in upland areas for the wide range of benefits that such management brings.

8.11 The TFA believes that we need a fundamental review of the decision which led to the abandonment of payments for breeding livestock and the development of a new scheme for the long-term which will deliver an integrated upland environmental land management reward package with stock rearing at its core.

Supplementary written evidence from the Tenant Farmers Association

1. INTRODUCTION

1.1 The Tenant Farmers Association (TFA) provided written evidence to the Select Committee for its Inquiry into Farming in the Uplands on 7 October 2010 and subsequently appeared before the Select Committee to provide it with oral evidence on 10 November 2010. The Select Committee then wrote to the TFA on 17 November 2010 to ask for clarification on a number of points discussed during the oral evidence session. This Supplementary Evidence provides the Select Committee with clarification on the points raised in its 17 November 2010 letter.

2. *Could you circulate information to the Committee on REEDnet, and also provide us with more detail on the sort of financial backing from Defra that you are looking for the Harper Adams uplands training scheme?*

2.1 From the work carried out by Mike Keeble in the northern counties of England for the Red Meat Industry Forum (RMIF) established following the Curry Commission on Farming and Food, it became quite clear that balanced production of red meat had to be revitalised and made more sustainable if upland farming, the landscape and the ecology were to remain intact. Current environmental and farm support policies are not working and there has been no significant research or development targeted at improving livestock genetics, pastoral improvement and management practice.

2.2 Concurrently with the above work Mike Keeble also became involved in looking at the needs of young people in the uplands in terms of education and opportunity with the latter being of particular concern to the TFA bearing in mind the high proportion of upland holdings which are tenanted. The potential ending of the Single Payment Scheme (SPS) in the future is a red light for upland farmers as very few will survive without it and with the probability that future support will be increasingly based on public goods and not food production the need for a rethinking of production management has to be a high priority.

2.3 There are a few upland farmers who are profitable without consideration of the SPS. They are using different genetics from traditional practice, carrying out basic pasture improvement and maximising upland output by working with low ground farmers who provide winter keep and accommodation for breeding cows allowing hill stocking to be increased. The rewards for this are much lower costs of production on the upland farm and increased access to natural fertility for the arable farm in the face of rising fertiliser costs. Added to this there is a consequent rise in ground nesting birds in the hills as a result of stopping grass conservation.

2.4 So from this it can be seen that we have some cutting edge farmers who can demonstrate their farming methods, we have a resource of well educated young people from upland communities who, on leaving college, do not return to the hills and in 2014 we potentially face a new financial situation. Since the outbreak of Foot and Mouth Disease (FMD) in 2001 a number of training schemes have been set up in upland areas which concentrate on skills such as stone walls, tractor driving, shearing and so on. The outcome is that there are a good number of skilled young people available to work on livestock farms who need employment that will keep them there.

2.5 Unlike some options, upland farming requires a lot of capital invested in an enterprise with a very slow turnover and low return on capital making it difficult for most young people to farm on their own in the hills. It is almost certain however that upland farm size will increase and that management will change

creating enterprises that need a properly rewarded labour force. The weakness in this situation is the lack of qualified young people entering upland farming and land management with the enthusiasm, determination and ability to undertake this dramatic change.

2.6 Working with farm colleges and universities ReedNet Uplands will identify young people who meet this specification and who are approaching the end of their general agricultural course and qualification. These students will join a group that will work on leading edge upland farming units around which they will move over a period and while doing so will identify problems and opportunities, in discussion with the farmers, needing to be researched or developed. Examples are genetics, pastoral improvement, new approaches to the use of grass, arable co-operation and the maintenance of the ecology. Other things can be added to this list such as energy and timber production and the improvement of wildlife.

2.7 Part of the ReedNet approach is to bring the links in the food chain together and this will be integral to the plan. The participants will meet auctioneers, processors, wholesalers and retailers involved in the red meat industry and as a result it is hoped new links and co-operation will increase. The “students” will also all meet up from time to time to compare notes and meet specialists in such things as animal breeding, veterinary care and grassland management. It is hoped that the participating farmers within the group will undertake basic research, problem solving and opening new opportunities.

2.8 ReedNet has limited resources and its work currently is with sectors comprised of large production units which can easily absorb additional training staff, but that is not the case in upland farming. However there are farms where a labour force of three or four does exist and where additional help is required from time to time. To work properly, however, ReedNet will require further resources to ensure the “students” are properly paid. Some of this may come from the individual farmer, some from commercial sponsorship and, we hope, some from a government source. However the financing of the project has to be arranged by Harper Adams and the Royal Agricultural College who have joint responsibility for the management of the project. From a government point of view the outcome of much needed research and development coming as part of commercial farming activities and supported by a group of young farmers has to be good return on investment.

3. *Would you be able to provide any additional figures to support your statement that the number of tenancies has reduced and the number of people wanting to take them on has increased?*

3.1 The table below contains figures derived from reports from the Central Association of Agricultural Valuers from its Annual Tenanted Land Survey. These figures are not specific to upland areas. However, they do show that over a 10-year period opportunities to let land both in terms of area and the number of those opportunities has declined.

<i>Year</i>	<i>Net Change in area of let land (ha)</i>	<i>Number of Fresh lettings</i>
1999	61,439	664
2000	38,510	518
2001	34,246	426
2002	25,889	348
2003	6,020	216
2004	(3,049)	100
2005	(6,222)	184
2006	5,501	157
2007	6,594	150
2008	2,617	134

3.2 Unfortunately, the number of individuals looking to secure an agricultural tenancy is not collected on any consistent basis. However, the TFA is aware that for every tenancy opportunity offered in the marketplace there are always multiple applications. The TFA is also finding that there is an increasing interest in entering the farming industry and in its work with the National Federation of Young Farmers Clubs there is clearly a keen desire amongst young people to be trained for seeking out those opportunities.

4. *Would you be able to provide further information on this point?*

“I have always thought the issue of over-grazing was overstated. If you look at the cases—I do not have the figures to hand—where individuals were taken to task under the regulations for over-grazing, they were vanishingly small”.

4.1 In 2003 DEFRA conducted a consultation exercise on the Review of the Overgrazing and Unsuitable Supplementary Feeding Cross Compliance Controls in England. In a statistical annex to the consultation document DEFRA set out information about the number of overgrazing incidents dealt with by the authorities.

4.2 It recorded that between 1989 and 1996 there were 113 complaints received about overgrazing (14 a year) and in the period 1997 to 2002 there were 86 complaints (12 a year). It also recorded that over half of these issues had been dealt with either because there was no case to address or where relatively small changes in management were introduced. In only 20 cases over the full period, 1989 to 2003, were prescriptions deemed necessary—just over one case each year on average.

4.3 The TFA believes that this fits with the evidence it provided to the Select Committee that the concerns about overgrazing in the uplands, whilst important in individual cases have been overstated.

5. *You mentioned an idea to re-introduce headage payments with environmental criteria, can you expand on the type of environmental criteria?*

5.1 The TFA believes that grazing livestock is a basic requirement for the sustainable management of the upland environment and that it is only through the reintroduction of some form of headage payment that sufficient numbers of grazing livestock, particularly breeding cattle, will be employed on upland farms. In terms of environmental criteria, we would see that operating either through stocking rate limits or by using ceilings on payments which are in keeping with the carrying capacity of the land concerned.

6. *You said, regarding Article 68: "Certainly, the criteria within which Article 68 operates need careful thought before we allow any Government to run riot through that particular piece of legislation". Could you expand on the criteria required?*

6.1 "Article 68" allows Member States to make deductions from direct payments under the Single Payment Scheme to fund other activities. The worry is that the money deducted does not have to be match funded by Member States whereas with modulation of SPS which goes to fund Pillar II activities, match funding is a requirement. There is also a worry that some of the money deducted under Article 68 will be spent on administration and therefore the benefit to the sector concerned would be reduced in comparison to leaving the money in the SPS. The TFA would want to be assured that any scheme developed for the uplands under the auspices of Article 68 is clearly in the interests of the livestock sector in the uplands, is a benefit directly to active farmers, as administered as cost effectively as possible and does not undermine the furtherance of productive, sustainable livestock production in upland areas.

7. *Do you have any views or concerns on the European Commission's proposal for changes to LFA designations that you would like to share with the Committee?*

7.1 The TFA believes that there is no justification for any alteration to the current designation of Less Favoured areas in England and Wales.

8. *Do you think that the TRIG guidance is sufficient to resolve disputes between tenants and landlords when they arise?*

8.1 The guidance issued by TRIG in February 2010 covering the introduction of Uplands ELS is indeed very valuable. However, it suffers from a number of drawbacks.

8.2 The first drawback is that there is no means of enforcing the guidance. Whilst it sets out good practice in context of the current legislative environment for uplands ELS, it is not legally binding and can therefore be ignored in situations where landlords wish to capitalise on Uplands ELS.

8.3 Secondly, the guidance is written in the context of landlords been able to claim that they have management control for the purposes of entry into a agri-environment schemes. As articulated in the earlier evidence provided by the TFA to the Select Committee, the TFA believes that the definition of management control should be altered to prevent landlords claiming that they are in management control when they are not in day-to-day management of the holdings or taking the business/entrepreneurial risk.

8.4 Thirdly, the guidance suffered from the fact that DEFRA was not proactive in ensuring that it was circulated to all potential Uplands ELS applicants which TRIG advised should be the case. It is a shame that given the extent of work that went into the production of the guidance that copies of it still remain on shelves in DEFRA unopened. The TFA did its best to circulate the guidance to its members but it would have been better if all potential applicants had received it from a central register.

November 2010

Written evidence submitted by the Country Land and Business Association

EXECUTIVE SUMMARY

CLA supports the way in which the CRC report depicts the importance of the uplands and successfully identifies the problems faced.

The uplands matter to society because through their active management ecosystem services are provided. These include; food, landscape, wood products, energy, natural resources and biodiversity as well as leisure and tourism opportunities. However, these management systems are under threat from the low or negative

financial margins. The farming systems survive only because of the public supports. The challenge for the future is to realise the value of the management systems that produce ecosystem services and in doing so realise the potential of our upland areas.

The ability of upland land management to provide a reasonable living standard is critical to the future of the uplands. This goal will never be reached by dependence on selling agricultural products alone. However, with the right frameworks for public and private payment for more of the non-market ecosystem services, alongside developing markets for renewable energy and forestry products there is great potential to be tapped.

Upland communities form the bedrock from which the resilience and determination of the upland land managers is derived but they are under threat. Planning policies which should foster economic development, (thus creating jobs) and create affordable housing (so that those who work in the uplands can live in their communities) is essential. Similarly, provision of rural broadband is crucial to the sustainability of upland businesses and communities.

RESPONSE TO THE CRC'S RECOMMENDATIONS OUTLINED IN THEIR REPORT *High ground, high potential*

In order to facilitate economic development and the retention of upland communities the CLA believe the following set of actions are necessary.

LEADERSHIP AND A STRATEGIC OVERVIEW

A cross government upland strategy must be developed. A suitably experienced individual is needed to chair a stakeholder group to progress and deliver such a strategy. Similarly a Defra Minister should have explicit responsibility for upland areas.

We believe the focus on localism and Big Society is particularly relevant in upland areas. Local Enterprise Partnerships (LEPs) must promote and protect the economic concerns of the rural uplands.

Economy should be included in the remit of National Parks and Areas of Outstanding Natural Beauty but without enhancing the National Park Authorities powers. The problems with the planning system are all the more acute in NPs because of the restrictions on economic activity. Local communities should be able to hold National Parks to account where due consideration has not been given to the economics of a proposal.

FOSTERING ECONOMIC DEVELOPMENT

Public Support

Less Favoured Areas (LFAs) labours under the negative concepts of agriculture. These areas could instead be referred to as Environmentally Favoured Areas (EFA). Greater recognition needs to be giving to the positive outputs of our uplands including the ecosystem services that can be provided through active management. This must include the vital contribution they make to food production and animal breeding.

The upcoming CAP reform should recognise the challenges of farming and land management in Europe's marginal areas. Consolidation of the LFA payments into the core basic Pillar 1 supports would make a clearer, simpler, more stable and enduring contractual payment. This would enable upland farms to provide a wide range of ecosystem services including food. A switch in policy emphasis is likely to be supported by society as shown by the recent report by FERA and Newcastle University.¹ If these payments had the characteristics of current Pillar 2 supports—namely they are paid on a multi-annual (say five or seven year) contractual basis—they would have the capacity to offer greater certainty, stability and more simplicity for both farmers and government.

Future payments must consider a new approach to calculating income foregone. An alternative approach based on opportunity cost could see farmers paid income based on the best alternative occupation away from hill farming.

Value-added products

There is a constant need to encourage and help upland farming strive for high-quality, regionally and locally distinct breeds and products and to develop new routes to market which shorten the food chain and seek to get more value-added back to the primary producer. The means to do this are through assistance in the CAP Pillar 2 Axis 1 for raising quality, and encouraging producer and marketing groups. Demonstration projects and dissemination of best practice are also important components.

¹ The Food and Environmental Research Agency and Newcastle University. (July 2010). *Estimating the Wildlife and Landscape Benefits of Environmental Stewardship*.

New (Environmental) Markets

Climate and water regulation are two areas that offer the greatest prospect of encouraging private finance into upland areas and would help to reduce the dependence on public supports.

If a company decides to purchase credits from carbon reduction projects to count towards their voluntary corporate targets the projects should be accredited by the Government's Quality Assurance Scheme. This only allows for carbon credits that are generated from projects occurring in countries that do not have mandatory emission reduction targets and effectively acts as a regulatory barrier to the UK market place. However, if companies could finance carbon reduction projects in the UK without the need to take ownership of a tradable carbon credit they would be encouraged to invest in peatland restoration projects, if they were confident that they will deliver quantifiable greenhouse gas benefits. Such an approach would need to make clear that companies will not earn tradable carbon credits from their investment.

Forestry

Several bodies have called for afforestation of upland areas and this could deliver important (if different) ecosystem services. But forestry's potential will only be realised if suitable incentives through agri-environment schemes or through private markets for renewable heat or material substitution can be realised. Owners must be allowed and encouraged to grow high value material that the market wants.

PLANNING

The single biggest issue stifling upland communities relates to planning policies that are too restrictive, bureaucratic and prevent necessary development.

There are three specific areas where planning policy has failed:

1. Farm diversification and rural economic development proposals.
2. Rural housing.

Given the attractiveness of the uplands for second/holiday homes, there is a shortage of affordable rural housing both for young and retiring people. This should be addressed by:

- The building of retirement dwellings on farms for retiring farmers.
- Meeting local housing needs to be close to the origin of that need through the organic, incremental growth of villages and settlements. This may include applying flexibility to the village envelope where this is necessary to sustain a particular rural community.
- Encouraging landowners to fund, build and manage affordable rural housing.
- Fostering "mixed communities".
- Removing the prohibition of the use of cross-subsidy on rural exception sites to assist the leveraging in additional funding for affordable rural housing.
- Fiscal incentives for affordable rural housing.
- Prevention of vexatious village green applications.
- Conversion of redundant traditional farm buildings to new uses including residential.

3. Renewable energy

The uplands can provide renewable energy because of the prevalence of wind, water and biomass. Finance from national schemes such as the Feed In Tariff and the Renewable Heat Incentive are necessary to facilitate this. It is only inappropriate planning and environmental regulation that is holding the sector back.

IMPROVING RURAL SERVICES

Uplands areas need high speed broadband, as much, if not more than other areas.

This can be achieved by:

- Legislation to introduce a Universal Service Obligation of at least 2Mb/ps.
- A framework that allows rural business to piggy-back the public sector broadband infrastructure.
- OFCOM creating a legal framework, in agreement with mobile phone service operators, to ensure universal coverage.
- 3G technology to provide effective mobile telephony.

- A UK wide system of community broadband grants using part of the digital switchover under-spend.
- A Rural Broadband Partnership, including Government and the industry to aggregate demand and help inform the public as to the importance of superfast broadband to the economy and society.

October 2010

Supplementary written evidence from the Country Land and Business Association

1. *You state in written evidence that income foregone payments should be based on the best alternative occupation away from hill farming. Realistically, how would you define the best alternative occupation for a hill farmer?*

There are two suggestions on offer for finding the appropriate magnitude of opportunity cost or income foregone for upland farmers looking at their best alternative of moving off the hills.

- Base it on average earnings levels for comparable (skilled labour) in nearby market towns. Or at the very least some kind of national indicator like the minimum wage times the average working week. There could even be discussion that people living in the countryside take some satisfaction from the tranquillity, open space, quieter life and so on and thus apply some kind of discount to whatever comparable earnings in tow indicator was used. The point is that the figure used would be something akin to the sum of money required to keep a person going and not a small top-up as current LFA payments are (strictly in England, were).
- Base it on the full costs of being in farming in the uplands, as CRC suggest—and not the income foregone and direct costs of not intensifying production—which is the basis of the current calculations.

2. *Regarding carbon and water markets, you said: “The question is: what is stopping those rolling out further? There are some answers to that.” Can you expand on this point?*

On carbon the key issue is that there are no formal arrangements in the UK for “projects” for carbon sequestration through land use, land use change or Forestry. The only such projects which can formally become part of official carbon reduction programmes (eg the EU Emission Trading Scheme, are projects in developing countries (via the clean development mechanism). There are however hopes that with soon-to-be requirements (either mandatory or voluntary, this is not yet decided by government) for the measurement and reporting of GHG emissions by certain business sectors, this could then motivate an industry in providing C sequestration projects which would be recognised as correctly offsetting the emissions of these sectors. In anticipation that there could be a business demand for such projects landowners may even—once the framework is clearer—start to see some economic return from new afforestation projects or conceivably, (if the technical parameters could be agreed) peat management projects which store carbon.

Thus what is stopping these developments is the right institutional structure and framework. We understand this is all within the realms of possibility as some other countries, eg France, already have such arrangement in place—although we do not understand the details. It is a matter of political will and then getting the framework in place.

On water purification markets. People have been pointing for many years now to the NW English United Utilities example of how water utilities can find it cheaper to incentivise different land management in water catchments than to pay for water clean-up by technical treatment works. The question is why has this example not been replicated for many other sites. We do not fully know the answer to this question, but we believe that it may be partly to do with the willingness of water regulators to impose the costs of coming to and running such arrangement onto water consumers.

3. *The Pack Inquiry recently published its suggestions for reform of the CAP in Scotland—would you support implementation of these recommendations in Less Favoured Areas in England as well?*

No. Some of Pack’s recommendations are motivated by getting a larger share of UK CAP support funds for Scotland. This is understandable, but not likely to get much support from English or Welsh farmers or their organisations. But also Pack seems to be recommending going back to coupled payments. The reasons are understandable, but we would rather take the approach we suggested of redefining the income foregone basis of the payments for LFA farmers.

4. *Do you have a views or concerns on the European Commission's proposal for changes to LFA designations that you would like to share with the Committee?*

We said in our evidence and spell out at greater length in our paper on the uplands (attached) that considerations should be given to reversing the whole approach to the marginal farming areas from the concept of Less Favoured Areas (LFAs) for agriculture in which we compensate for specific natural handicaps, to the concept of Environmentally Favoured Areas (EFAs) in which farmers are paid for the collection of environmental (and perhaps social) public goods which the market does not pay for.

If this was to be done it changes the kind of criteria used to define or designate the LFAs. Unfortunately there is no sign that the Commission is ready to do this.

Instead the Commission, driven by the non-comprehending Court of Auditors, is engaged in what we regard as a fairly fruitless statistical exercise in re-designating LFAs based on a set of nine biophysical criteria (climate, soils, altitude, topography etc). This is rendered even more unhelpful as they are reluctant to recognise that conditions in the maritime climate and topography of England and Wales produce quite different results from continental Europe. There is therefore an unrewarding to-ing and fro-ing between Defra and the Commission on how to tweak their nine biophysical criteria so that it reproduces the current LFA borders! The exercise is rendered even more fruitless in England as we do not even use the LFA designation for its measures (it uses the boundaries between Specially Disadvantaged Areas vs Disadvantaged Areas, and Moorland Line)!

5. *Could you expand on your statement about the need for small and medium sized abattoirs?*

What we had in mind here was specifically the suggestions to impose full cost recovery for Meat Hygiene Service charges on all abattoirs. If this is done it risks putting small and medium sized abattoirs out of business. Many of these abattoirs are serving the uplands so their disappearance could have severe impacts on the economics of upland farming which is already perilous and on animal welfare as animals would have to travel further to slaughter. It would also disrupt the ability to develop local supply chains which many suggest are a part of the solution for the uplands.

This is a long running issue and we are happy to supply further more detailed briefing if required.

6. *Do you believe that Home on the Farm is sufficient to encourage the kind of generational overlap that you refer to as being desirable in the oral evidence? Is a policy change needed?*

No, we do not believe that the Home on the Farm policy will be sufficient to encourage new homes on upland farms for retiring farmers.

The Home on the Farm policy proposal has been promoted as a means of delivering affordable rural housing for local people in remoter rural areas through the use of redundant farm buildings. The policy proposal is very prescriptive in that it proposes that the only planning permission that will be granted for the conversion of redundant farm buildings is permission to convert them to affordable rural housing units.

Whilst one can see the thinking behind the Home on the Farm suggestion it is too simplistic to think that it will produce new homes on farms for retiring farmers not least because a one-size-fits-all solution is too simplistic and thrusting social housing onto farms in remote locations may not be in the best interests of the farmer concerned or the local people expected to live in these homes.

The costs of conversion of redundant farm buildings to affordable rural housing are very high, much higher than new build housing, and the ability by the farmer to set an affordable rent level that would finance the repayment of the money borrowed for the scheme would take many years to pay back. The scheme costs would be prohibitive and unviable in the long term for upland farmers whose income from farming is barely a living wage now. Indeed it is unlikely that banks would lend to upland farmers for this time of conversion.

Secondly, the use of such a house by local people, and their children, in a busy working farmyard where farm machinery is in constant use, and close to livestock housing and slurry pits, would be a health and safety issue.

Thirdly, both DEFRA and Communities and Local Government policy since 2007 is to encourage farmers to find alternative sources of income through diversification. This takes the form of converting redundant farm buildings to offices or small workshops where rents can be set at open market levels thus providing a faster and more cost effective payback of borrowed money.

Notwithstanding the above, there will be some farmers who may be able to afford to convert a redundant farm building to a retirement home into which they can move, if such a building exists to be so converted but most upland farmers would not be able to afford to do so.

The more cost effective and incentivising route would be to allow retiring farmers to build a purpose-built retirement home on their farm provided there is a justified agricultural need, and this requires a policy change in Planning policy statement 7: Sustainable development in rural areas, Annex A, paragraph 6 final sentence. The Welsh Assembly Government's recently published Technical Advice Note 6: "Planning for Sustainable Rural Communities" (July 2010) provides an off-the-shelf policy solution in chapter 4 Sustainable Rural Housing para 4.5 *Second dwellings on established farms*.

7. *You mentioned that you had your own report on the uplands— could you submit this to the Committee?*

We are hoping to publish our report in the next couple of weeks—meanwhile we will send as soon as possible a near final version for the committee. The committee will see that we go along with a great deal of what the CRC report on the upland said. There was a comprehensive inquiry conducted very thoroughly and after very wide consultation.

Our report supports their general recommendations but we wanted to fill out more detail especially on four areas: (i) the CAP; (ii) bringing new sources of finance to rural areas for water and carbon management; (iii) rural infrastructure especially broadband, and (iv) in the area of planning, affordable housing and heritage.

December 2010

Written evidence submitted by the National Farmers' Union

1. The NFU represents 55,000 farm businesses in England and Wales involving an estimated 155,000 farmers, managers and partners. Agriculture dominates the uplands. It has created and continues to maintain characteristic cultural landscapes that are highly valued not just for their food production, but also for their high nature value and tourism. Given the critical role played by farming and on the basis of members' views, we are well placed to comment on the CRC report.

2. CRC's report recognises the unique challenges and opportunities uplands areas face. No single policy measure is going to provide the springboard to address the many challenges faced by our uplands. The report, however, does point to the confusing nature of current policies.

3. There is increasing recognition that upland farming provides a number of valuable functions beyond food production, be it biodiversity, carbon sequestration or water management. However, farming is the critical activity from which these other functions will flow. This submission briefly outlines the key issues facing farmers in the uplands and the NFU response to the recommendations outlined in the CRC report "High ground, high potential".

KEY ISSUES FOR FARMING IN THE UPLANDS

4. The key issue for many uplands farms is economic survival. As Appendix 1 illustrates, the profitability of grazing livestock farms in the uplands is significantly lower than other farming types. Further analysis of uplands incomes by cost centre identifies that hill farms are reliant on the single payment, agri-environment schemes and the Hill Farm Allowance to be profitable. Based on agriculture alone, many uplands farms would have made a loss in recent years. Just 41% of upland farms covered their costs in 2008–09 based on farming revenues, let alone generated a return on the time and capital invested in their businesses. Not only are hill farm incomes low compared to other sectors, but also when measured against income levels in the wider economy. Average Farm Business income for uplands grazing units in 2008–09 was £17,137 compared to the average per capita pay of £26,470 per annum.

5. That said the overall farm business income of uplands farming has increased. Although still loss making in 2008–09, the agricultural contribution was significantly improved. Detailed data for 2009–10 is not yet available but stronger sheep and beef prices over the last two years will be reflected in agriculture's improved contribution to farm incomes. Whilst fundamentals such as tighter supplies have impacted prices, factors beyond the control of farming have been key, none more so than exchange rates. Favourable currency shifts have benefited agriculture whereas a stronger pound would place downwards pressure on livestock incomes. Suffice to say that volatility increasingly characterises the prices of agricultural inputs and outputs.

6. Amidst this volatility, farmers must be able to respond to market conditions. As such, agri-environment agreements must be appropriate and flexible. They must facilitate the responsiveness of farmers to market signals and complement productive agriculture. HLS agreements in particular can restrict farmers' ability to respond to the market.

7. The marginal viability of uplands farms creates succession issues. Although 37% of upland farmers have succession secured, it is questionable for the majority. 21% of upland farms are not expected to continue beyond the next five years. We believe that financial uncertainty is critical to determining family members' decisions to take on and invest in hill farms. This can be amplified by limits to on-farm diversification and a shortage of appropriate accommodation. In addition to the affordability of rural housing, proximity to the farm is key to facilitating the transition of farm businesses to the next generation.

8. Loss of skills and knowledge is another challenge facing the uplands, and is closely linked with succession. It should also be noted that like others in upland communities, access to services and their higher cost are increasingly impacting upland farmers.

9. Despite the challenges, uplands farmers can envisage a future, with comparative advantages when it comes to food production. Consumers increasingly demand provenance from their foods. Grass-fed, traditional livestock rearing systems characterise the uplands. The challenge is to realise this added value and ensure it flows back to farmers. In addition, climate change may further enhance the geographic advantages of the uplands.

10. Combining a more profitable income from farming with other revenue sources is key to farming's viability. As yet, the markets for public goods are nascent; nonetheless payments for ecosystem services represent an opportunity. Renewables and carbon credits are other areas with the potential to improve viability. However, viable mechanisms must first be developed that are capable of gaining industry confidence and demonstrating that benefits go to those who actively manage the land. In both cases, these offer longer term potential rather than a short term opportunity. In the foreseeable future, income from diversification and agri-environment schemes will remain the critical revenue sources for underpinning farm viability.

11. Beyond direct tourism activities, there needs to be a way of generating income from public access to and provision of some of our most valued landscapes. This challenge cannot be underestimated. Access to mountain hill and moorland made up just 2% of visits to the natural environment in England between March 2009 and February 2010. Moreover, fewer than three in 10 visits to the natural environment actually involved any expenditure.² Of course the benefits of increased tourism need to be considered against the potential detrimental impact on the landscape (increased traffic, wider footpaths, etc).

RESPONSE TO SPECIFIC CRC RECOMMENDATIONS

A new integrated strategy for the uplands

12. This is the second high profile report on the uplands, following Natural England's 2060 vision. Neither captures a vision for hill farming. The NFU believes that a sustainable upland landscape is founded on farm businesses managing the bulk of the uplands, that are profitable, increasingly productive and able to deliver widespread environmental stewardship. Farming in tandem with their natural and social environment, hill farmers will be increasingly responsive to the signals of the market place. At the same time, they will be able to balance their role as food producers with the need to preserve our unique uplands for subsequent generations. Hill farming will continue to provide opportunity for local communities, visitors and farmers themselves to gain from the multiple benefits that upland ecosystems can sustainably provide.

13. The focus of any strategy needs to consider the short term actions required to address immediate challenges faced in the uplands. In the current climate, we would question the government resources available for developing and implementing a strategy. Inter-departmental conflicts can also be envisaged when it comes to the uplands.

Strengthening leadership and momentum

14. In principle, a single uplands champion has some initial attractions—a focus around a single voice being significant. However, experience suggests that the diversity of the English uplands and the range of communities present means a single champion model is unlikely to be appropriate. Successful advocates need an attentive audience amongst decision makers. We believe that a more promising model may be that of an uplands panel drawn from business and social communities across England with a sponsoring Minister (the Hill Farming Advisory Committee provided such a role before its abolition). Such a forum would draw on a wider breadth of knowledge, indicate the seriousness of uplands issues, and would be more adept at dealing with any conflicts that arise given the multiple needs of uplands communities.

Empowering communities in the uplands

15. The emergence of local enterprise partnerships (LEPs) could offer a solution for the uplands, based on some of the policy weaknesses that the report has identified eg one size fits all approach, non-participatory, etc. Empowering upland communities for more direct input seems to fit within the localism agenda of developing a bottom-up approach to management of our uplands. However, few LEPs have highlighted agriculture as a priority to date and there is significant uncertainty over their future role. Specific issues to consider include:

- Will central government and especially locally based regulators delegate the appropriate functions and what is the safety net if local empowerment falls short?
- Does this facilitate fragmentation of uplands policy into a myriad of local initiatives, conflicting with calls for stronger leadership?
- Are the skills and knowledge in place, particularly if devolved to the parish level as suggested by CRC and especially amongst upland businesses, which must devote time to manage local partnerships?

² Monitor of Engagement with the Natural Environment: The national survey on people and the natural environment

- In participatory budgeting, will the expectations of residents be aligned with the needs of business in a locality? Whilst residents may be inclined to adopt a “drawbridge mentality”, many businesses are reliant on national or international supply chains for resources and markets.

16. A particular concern for agriculture relates to community-led planning. Planning policies designed to maintain the appearance of the uplands rather than develop the productive infrastructure of agriculture in the uplands risk undermining efforts to improve economic viability.

A new approach to funding (a better targeted CAP)

17. A detailed consideration of CAP reform is perhaps better suited to subsequent EFRA inquiries. Suffice to say that the NFU maintains the view that the case for a twin pillar CAP is convincing (as opposed to a single pillar approach which CRC appears to promote), with clear roles for both parts of the CAP. Our vision is for Pillar 1 Single Payments to provide income stability and ensure the productive and sustainable use of the countryside. Pillar 2 provides complementary aids to promote innovation, competitiveness and reward public good provision. CAP is fundamentally an economic policy and until functioning markets and volatility are eliminated, there is a compelling case for ongoing income support. Indeed, the leaked CAP communication from the European Commission indicates additional income support for farmers facing specific natural handicaps in the form of direct payments, and support for LFAs under the 2nd pillar coming to an end.

18. While we disagree about CAP policy structures, the CRC is correct to raise the issue of income foregone in the context of calculating agri-environment payments. It is a crude measure of public value. In many situations (not just the uplands) farmers’ agri-environment measures yield multiple benefits for which payment is calculated only on the theoretical foregone production. The complex methodology involved does not promote innovation in environmental delivery and performance. A different approach is required to enable agri-environmental payments to offer real and consistent incentives to farmers and to take account of the benefits delivered rather than the income foregone.

19. In relation to rural development, the NFU has questioned the effectiveness of axes 3 & 4. It has been suggested that such objectives could be better served under DG Regio policies that are more suited to long-term, social and community objectives.

20. In relation to agri-environment schemes, upland land tenure patterns provide some unusual challenges. About half the English uplands is rented (a higher proportion than the lowlands) with much of this land on private shared grazing tenancies (termed “gates” or “stints” of less than five years duration) and a large area of commonland on which graziers share their grazing rights. In such situations without consensus of view (commonland) or agreement of the landlord (rented land) the grazier can be excluded from agreements. In such situations, it is the land owner rather than the active farmer who benefits from the support mechanism. It is with this unique tenure in mind that we call for a prompt and continuing review of the uptake and beneficiaries of the Upland ELS scheme (see paragraph 23).

21. For axis 1 measures, the barriers and uptake issues are certainly not unique to the uplands. In fact, the uplands can benefit from additional aid intensity. However, from a match-funding perspective, it seems logical that upland farms could face challenges in obtaining the private funding element, given they tend to be amongst those that have the lowest incomes. It would be sensible if the current mid-term review of RDPE takes account of issues relating specifically to uptake in the uplands.

Developing markets for carbon and water

22. The NFU welcomes development of such markets. However, the prospect of such markets providing a meaningful income source for farmers remains distant, especially with a low carbon price for stored and sequestered carbon and water companies only recently permitted to enter into agreements to improve water quality through land management measures. Government resources and budget to develop and implement new policy areas must be questioned, although public-private partnership offers a solution.

Securing the future for hill farmers

23. Initial uptake levels of UELS appear encouraging. Defra will be regularly monitoring uptake but a formal review sooner rather than later seems appropriate. However, it is critical that this evaluates the extent to which former HFA recipients are being captured by the new scheme, particularly given the marginal viability of many hill farms. As noted previously, land tenure can impact eligibility of payments. Given the higher proportion of tenants in the uplands, use of common land and short term grazing lets, specific research on who receives UELS payments should be included in this review.

24. We would support greater reflection of what is happening on the ground. Given differences in land characteristics across regions, national guidance is a blunt instrument. However, decisions must be taken for the longer term, evolving rather than taking excessive, over-reactive measures. They must also engage local farmers.

25. With succession a fundamental concern, we welcome the opportunity to address this issue. Ultimately, succession can only be guaranteed when financially viable farming businesses and new entrants combine. Whilst the profitability of uplands farms remains marginal, encouraging new entrants and succession will remain a challenge. Planning policy can help, supporting affordable developments on-farm and not in nearby towns or villages.

26. To support skills development, a long-term and collaborative plan for research and knowledge transfer is vital. Including colleges and demonstration farms as part of this collective resource is sensible. Given local differences across the uplands, the involvement of more than one college would be prudent and support provision of extension services.

Encouraging enterprise in new green growth areas

27. An audit of renewable energy opportunities is a solid start, but needs to go beyond an audit to look at effective policy measures to promote it (including advice that is tailored to rural and uplands businesses). On the surface, this appears an area for potential conflict at government department and community levels. Leadership and central guidance is necessary to ensure this is effective. The availability of new resources within government to support green growth should also be questioned.

Raising aspirations: supporting the development of communities

28. Similar to the above, is it realistic that BIS will be able to provide additional, more specialised support at a time when government services are set to be trimmed? It is more likely that this is conducted on a voluntary basis, or perhaps this is an area where public-private partnerships could fill the gap likely to result from the spending review. As both the big society and localism agendas develop, differences between uplands/rural needs and urban areas cannot be ignored. For example, the Regional Growth Fund already looks likely to have a minimum threshold of £1 million for applications, and could exclude upland communities from the fund. Similarly, lower population densities could prove a deterrent to communities fulfilling localism opportunities.

Improving broadband and mobile telephone communications

29. This needs collaboration with BT to identify areas that are likely to get left behind as the telecoms infrastructure is improved. This is undoubtedly an area with potential for public-private partnership given that spending restraints may limit government involvement.

Planning to enable sustainable upland communities

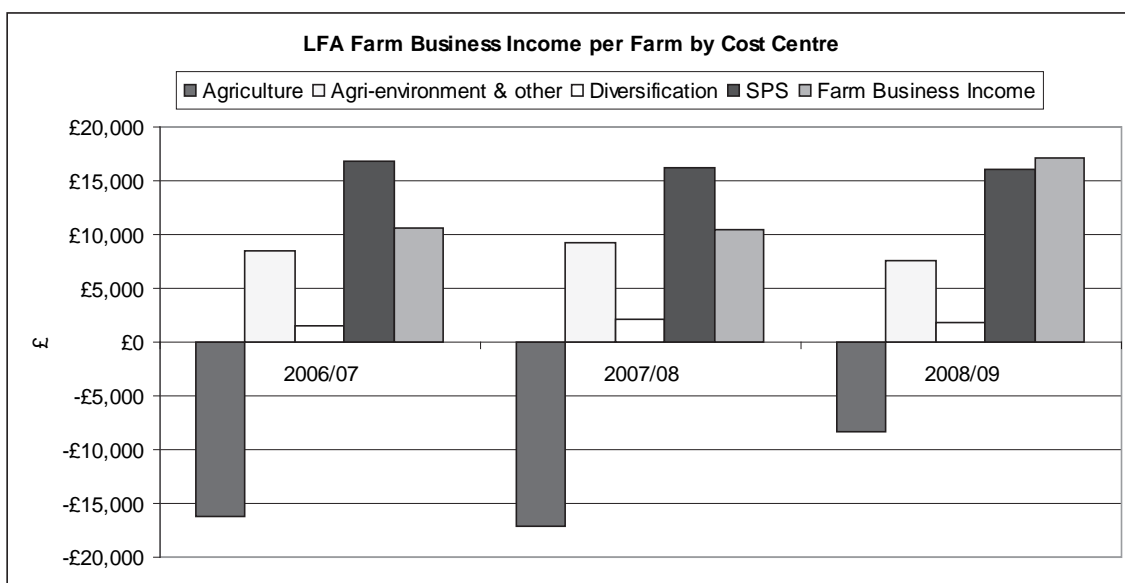
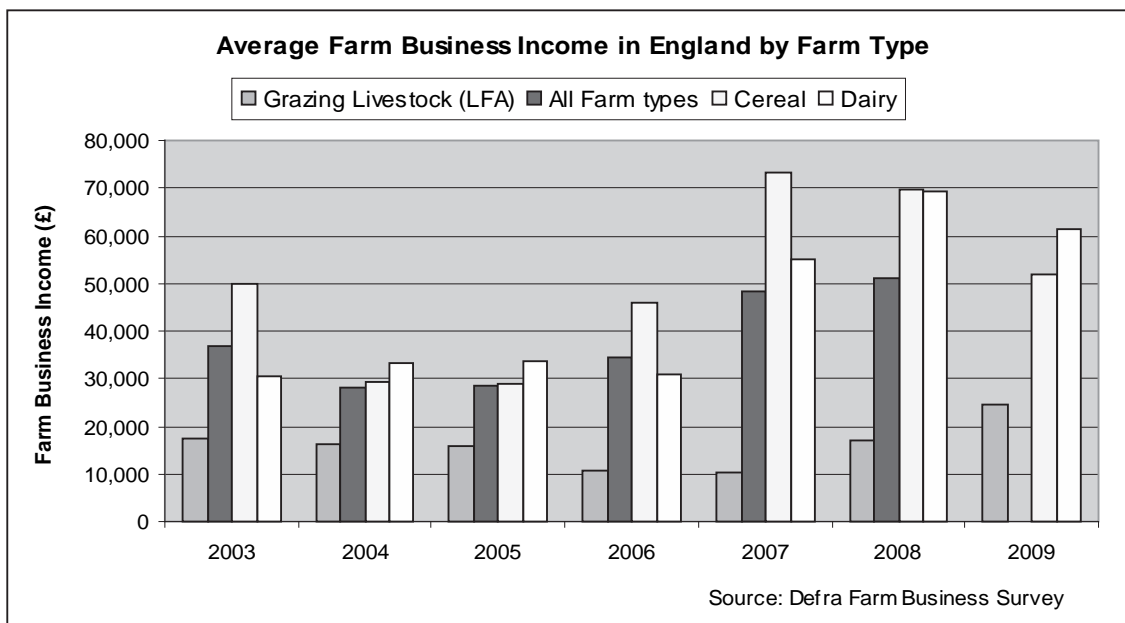
30. Planning is a key issue, facilitating continued development of on-farm infrastructure and succession. As noted previously, proximity to the farm of low-cost housing is critical to facilitating the effective transition to the next generation. Although details relating to the Coalition Government's Home on the Farm³ initiative have yet to emerge, we are encouraged that this approach has the potential to support farm succession.

31. The challenge is to ensure a joined up approach to planning that allows for local tailoring, but without becoming a means for local residents to block any undesired development regardless of its wider benefits. In terms of the wider uplands challenges, provision of low cost housing solves one of the challenges. There must be economic opportunity as well. People will only remain in the area if there is employment too, so development must be integrated. The situation is further complicated given that National Parks cover a proportion of our uplands. Whilst they seek to conserve our National Parks, they are also statutory planning authorities, creating potential tensions. Uplands landscapes and rural communities must be recognised as dynamic, and planning regulation needs to reflect this. Perhaps a national planning strategy could reflect the needs of the uplands.

³ http://www.cabinetoffice.gov.uk/media/409088/pfg_coalition.pdf

APPENDIX 1

FARM BUSINESS INCOME DATA FOR FARMS IN LESS FAVOURED AREAS



October 2010

Supplementary written evidence submitted by the National Farmers' Union

The NFU welcomes the Committee's invitation to submit supplementary commentary to our written and oral evidence provided earlier this autumn. The unusually cold start to winter 2010–11 following a dry cold spring, demonstrates the particular challenge and vulnerability of livestock farming, and especially so in the English Uplands, that we described to the Committee.

The Committee secretariat has asked for additional views on upland farming. We address each of these below:

What is required to assure the economic sustainability of upland farming?

We have already submitted our analysis of Defra's Farm business data. This shows that cattle and sheep farm businesses (the standard upland farming type) have relatively low returns compared with other farm types. As we explained, the continuation of upland farming, with the associated benefits to the environment, landscape and society requires that their economic situation becomes more favourable with more reliable

returns from the market coupled to new income streams from diversified income sources. In the context of concerns about food security, interest in food authenticity and “food miles” coupled with climate change, we are convinced that the agricultural market place will provide a growing proportion of upland incomes especially.

However increasing “agricultural” returns require a redoubled focus on production efficiency—an effort that EBLEX should be well placed to support via its recently published sector roadmaps and knowledge transfer initiatives. We believe that these programmes (coupled to activity channelled through the RDPE axis 1 support) should enable more upland farms to become less reliant on Single Payment Scheme and more resilient to economic and agricultural challenge. This requires that farms can evaluate their competitive position, access novel and innovative farming techniques, collaborate as producers to cooperatively market food production within and beyond the processing chain; have available broad but appropriate range of income streams (ie diversification and conservation agreements).

Can hill farming businesses respond to market signals as lowland farms respond?

Upland farmers need strong business skills and entrepreneurial outlooks coupled with knowledge of the agronomic limitations of their farm. Those that are seeking to grow their business, perhaps as part of a succession strategy, have particular need to seek greater efficiencies, cut costs, diversify and maximise the income from their livestock enterprises. However, livestock farming does not provide the flexibility that characterises cropping farms, it would be a mistake to treat both alike. Production cycles are considerably longer (up to three years for finished cattle) which means swift responses to market signals are impossible while the land is less productive with greater restrictions on cropping choice and growing season.

Our experience suggests that farmland is also less frequently exchanged meaning that physically growing a holding with contiguous parcels of land and so spreading fixed costs is problematic. (Cropping farms do not require daily access to growing crops for husbandry or feeding, so such farms able to exploit more disparate patterns of farming). Physical separation of land can make husbandry more difficult and certainly adds to regulatory concerns (movement of livestock). Extending holdings also overlooks the character of livestock farming which can continue on a low output/low level of return with diversification/off farm income subsidising the “livestock” business—so the opportunity to enlarge holdings is much lower.

Can upland farms extensify their management and inputs?

In principle more extensive herd management should reduce unit costs of production; but extensive management techniques can not imply a reduction on handling and animal welfare standards. All livestock farmers, including those in the uplands, are bound to legislative codes of good practice for welfare, which includes ensuring that at critical times (eg in winter for feeding and spring for lambing) regularly supervision is required. We doubt that the public would tolerate extensive farming of the uplands if this means semi-feral flocks and “ranching” cattle herds. Indeed we perceive that environmental outcomes desired by Defra and Natural England require increased shepherding to ensure appropriate grazing across open moorlands and commons to achieve optimal habitat condition. In the absence of fences in such areas, shepherding of the right stock at the right times in the right locations is the only option.

In common with lowland farms those in the uplands are already using contractors to reduce cost of permanent staff and equipment, such as for dipping or shearing. However, there is little opportunity to contract out work for core business of day-to-day livestock husbandry. This is not to say that some are not collaborating with neighbours to share resources, indeed it is customary practice for neighbouring farms to “gather” a moorland or common. Given appropriate support and facilitation additional activities can be undertaken collaboratively, such as training, promotion and marketing of accommodation, collaborative input purchase or knowledge transfer.

In our experience cooperation, especially involving commons, requires locally respected and independent mediators or facilitators to bring the variety of interested parties to the table. Building business trust and consensus for change, even where the outcome appears attractive to third parties, can be a time consuming. A frequent blockage to building consensus is the sharing of costs and benefits—while “win-wins” are attractive to all, more frequently gains are not evenly shared or even unattainable for farmers. For example, the “re-introduction” of rare breeds for environmental reasons may result in a swift outcome for habitat recovery but will require livestock keepers to establish new market outlets and delayed or reduced market returns reflecting the finishing condition of such breeds.

Written evidence submitted by Department for Environment, Food and Rural Affairs

INTRODUCTION

1. This memorandum sets out the Government's current thinking on farming in the uplands of England, drawing on the considerable evidence base that already exists.
2. This is primarily drawn from the reports below:
 - Farming in the English Uplands, Defra Agricultural Change and Environment Observatory, May 2010.
 - Uplands Farm Practice Survey, Defra, 2009.
 - Commission for Rural Communities (CRC): High ground, high potential—a future for England's Upland communities.
 - Economic and environmental impacts of changes in support measures for the English Uplands: An in-depth forward look from the farmer's perspective, Countryside and Community Research Institute and Food and Environment Research Agency.

THE GEOGRAPHY OF THE UPLANDS

3. There is no statutory definition for the uplands. Within this Memorandum, Less Favoured Areas (LFA) boundaries have been used to define an "upland" farm⁴ (see fig.1). Recognising that agricultural practices can vary significantly by region, the 2009 Upland Farm Practices Survey identified nine separate upland regions.

4. 74% of England's National Parks fall in LFAs. One of the statutory roles of National Parks is to conserve and enhance their natural beauty, wildlife and cultural heritage. In total 62% of the LFA is designated as either a National Park, Areas of Outstanding Natural Beauty (AONB) and/or SSSI. Many SSSIs are also designated as Special Protection Areas (SPAs) and/or Special Areas of Conservation (SAC).

Figure 1: The nine upland regions identified for Uplands Farm Practice Survey 2009—Uplands and other Less Favoured Areas



⁴ LFAs were established in 1975 as a means to support mountainous and hill farming areas but were later widened to include other disadvantaged areas. The LFA designation is currently being reviewed at EU level, but the present LFAs in England are subdivided into two areas: "severely disadvantaged areas (SDA)" and "disadvantaged areas (DA)"

THE HABITATS OF THE UPLANDS

5. The uplands are a mosaic of semi-natural habitats that vary considerably across these regions. They are largely, but not exclusively, above the upper limits of enclosed farmland and are mainly open expanses shaped to some extent by human activities.

6. A wide range of habitats are found including wet and dry dwarf shrub heaths, blanket bog and other mires, scrub, bracken and grasslands (including acid, calcareous and neutral). There are also montane habitats, occurring on the highest fells above the natural tree-line, and rocky outcrops, scree and limestone pavement. Larger enclosures (referred to as allotments, intakes or newtakes) supporting similar vegetation are often included, eg upland calcareous grassland is generally enclosed. Upland woodland may also be present. Each of these upland habitats supports a range of species.

7. Rough grazing occurs on unenclosed moorland and large-scale, extensively managed enclosures. In addition, there may be enclosed areas of better grazing or “in-bye” land which may have been improved to some degree, although important unimproved grasslands also occur locally. Upland Hay Meadow is an entirely closed “in-bye” habitat.

8. More detail on the characteristics of upland habitats can be found in Annex A.

THE CHARACTERISTICS OF UPLAND FARMING

9. The principal output of farming in the uplands is livestock (beef and sheep meat production) although dairying is also important in some regions. The uplands system of livestock farming has long been seen as an important contributor to the national beef and sheep industries by providing breeding and finishing stock to lowland farming systems. This is particularly notable in the stratified structure of the sheep industry in the UK. As of June 2009, 44% of sheep in England were located in the uplands.

10. The majority of farms are very small and either long established or first generation family farms. Around half of the land is owner occupied with most of the remainder under tenancies of 1 year or more. Only 5% of land is rented for less than one year. Most upland farmers own at least part of the land on their holding and about a quarter have a combination of tenure arrangements, mostly a mixture of owner occupation and longer term (more than one year) tenancies. Very few upland farms (0.5%) have share or contract farming agreements.⁵

11. Much of the unenclosed, unimproved grazing in the uplands is common land (approximately 14% of land in the LFA and 37% of land above the “moorland line”⁶). Most commons have an owner but commoners (generally, neighbouring farmers) have rights to graze livestock on them. The combination of grazing rights and statutory protection means that common land is uniquely protected from development and agricultural intensification. In terms of heritage and many environmental factors, this can be beneficial. However, the multiple interests in common land can make consensus difficult to achieve, and this sometimes results in poor or ineffective management. There is evidence⁷ for declining levels of grazing on some upland commons, and the special nature of grazing practices such as hefting on common land may make the reduction or cessation of “commoning” costly or impossible to reverse.

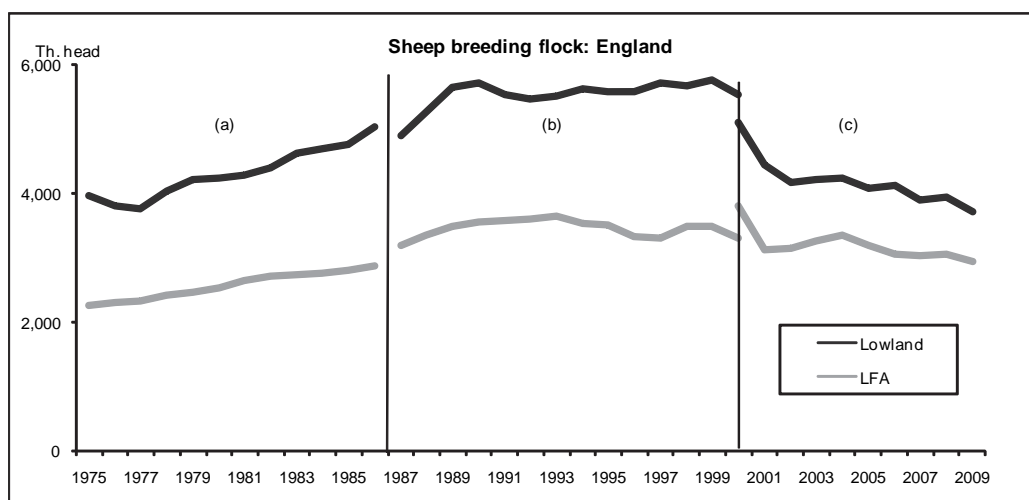
⁵ Farming in the English Uplands, Defra Agricultural Change and Environment Observatory

⁶ The Moorland line was first drawn in 1992 (subsequently updated in 2007) and is used by Government to establish which areas of England’s LFA are designated as moorland and non-moorland for administrative purposes; the line is used to differentiate between payment levels under various support schemes, including the Single Payment Scheme in which areas above the moorland line receive a lower payment.

⁷ Trends in pastoral communing [NECR001] (NE, 2009)

12. As Figure 2 below shows, trends in upland and lowland sheep breeding numbers are broadly the same due to the stratification of the sheep industry—both lowland and upland systems being reliant on each other. Upland sheep breeding numbers in England appear higher now than in the mid 1970s, shortly after the UK joined the EC, although direct comparisons are made difficult due to definitional changes.

Figure 2
SHEEP BREEDING FLOCK NUMBERS IN ENGLAND



(a) 1975 definition of LFA before widening to include Disadvantaged Areas, excludes minor holdings.

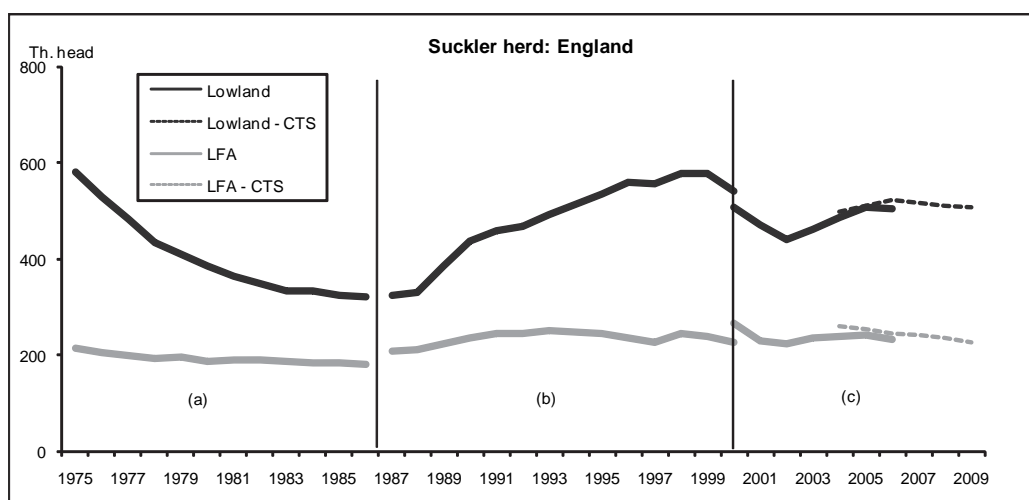
(b) Current LFA, excludes minor holdings.

(c) In 2006, the method of assigning LFA markers to holdings was revised and retrospectively applied from June 2000. All holdings.

Source: June Survey

13. Figure 3 shows that suckler cow numbers in the uplands have maintained a far more consistent level throughout the period of European Community membership, unlike in the lowlands where numbers have fluctuated more significantly.

Figure 3
BEEF COW NUMBERS IN ENGLAND



(a) 1975 definition of LFA before widening to include Disadvantaged Areas, excludes minor holdings.

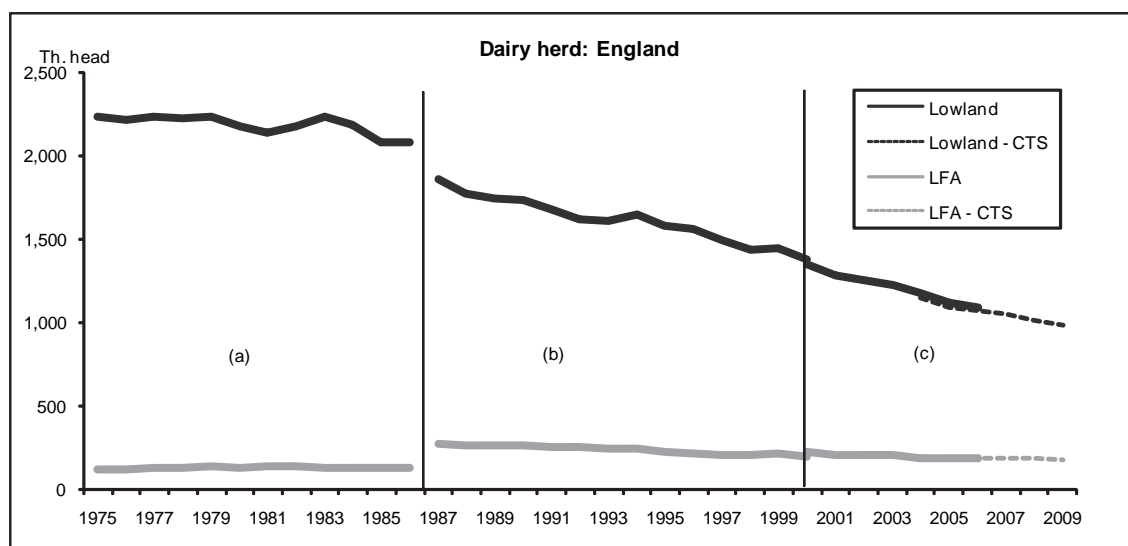
(b) Current LFA, excludes minor holdings.

(c) In 2006, the method of assigning LFA markers to holdings was revised and retrospectively applied from June 2000. All holdings.

Sources: 1975–2006, June Census/Survey, Defra; 2004 onwards, CTS/RADAR, Defra.

14. Figure 4 shows that dairy cow numbers have remained fairly consistent in the uplands since the mid 1970s, shortly after the UK joined the EC, whereas national numbers have declined steadily, especially since the introduction of milk quotas in the early 1980s.

Figure 4
DAIRY COW NUMBERS IN ENGLAND



(a) 1975 definition of LFA before widening to include Disadvantaged Areas, excludes minor holdings.

(b) Current LFA, excludes minor holdings.

(c) In 2006, the method of assigning LFA markers to holdings was revised and retrospectively applied from June 2000. All holdings.

Sources: 1975–2006, June Census/Survey, Defra; 2004 onwards, CTS/RADAR, Defra.

FARMING'S ROLE IN UPLAND COMMUNITIES

15. Farming plays an important role in the life of uplands communities. Although, as the CRC report identifies, the agriculture and forestry sector now employs a low proportion of the uplands workforce (5.2%), agricultural businesses are the second most common, accounting for 16% of all businesses in the uplands.

16. Although much of the income to the uplands regions is derived through recreation and tourism, with 40 million visitors to the National Parks in the uplands each year generating £1.78 billion,⁸ farmers benefit from relatively little of this tourism income.

17. Farmers are often seen as the glue that holds the community together—which generates a strong protective feeling towards farmers from those living in the uplands—and a real fear that their subsequent loss would destroy the community. Evidence shows that the public sentiments are that local economies and communities would suffer if farming was allowed to decline and that there would also be a detrimental impact upon the way the landscape looks.⁹

18. This is reinforced by views that farming in the uplands requires a special type of farmer with very strong links to family and custodianship. Often farming families have been living in the uplands for many generations and this long establishment has created local leaders from the farming community. The collaborative nature of “commoning” can also aid cohesion in upland communities.

ROLE OF FARMING PRACTICES IN MANAGING THE UPLANDS ENVIRONMENT

Grazing

19. An appropriate level of grazing is needed to maintain and restore certain upland habitats such as upland hay meadows and calcareous grassland and their characteristic species. Having a mixture of livestock grazing types is important with cattle and sheep having different grazing characteristics. There are also some habitats such as blanket bog that require very little or no grazing. Therefore, ensuring the appropriate balance of grazing through correct timing, stocking density, and species employed for the habitat in question is crucial for successful management.

⁸ Commission for Rural Communities (CRC): High ground, high potential—a future for England's Upland communities

⁹ Farming in the English Uplands, Defra Agricultural Change and Environment Observatory

20. Overgrazing—particularly with high stocking densities of sheep—has impacted on upland habitats. Overgrazing has been the main contributing factor on those upland SSSIs in unfavourable condition—although there have been significant improvements made in recent years. In 2008 of those SSSIs in unfavourable condition, 31% of the area of upland heathlands and 58% of the area of blanket bog was due to overgrazing.¹⁰ Overgrazing, especially by sheep which are more selective, allows coarser, less palatable species to encroach. Only the most competitive will survive. Overgrazing does not allow vegetation to recover and therefore sensitive species are lost.

21. There are a range of environmental effects from overgrazing that impact upon wildlife, soil structure, water quality and carbon emissions. Birds can suffer from reductions in availability of nesting sites for those species preferring higher sward levels for nesting. Ground nests are more vulnerable to trampling when high stock densities occur. Reductions in food sources can also become a problem in areas of high grazing. Small mammals may lose ground cover increasing their risk of predation.

22. If vegetation cover is heavily grazed, soils become more exposed and may be eroded—made worse by poaching of the ground and compaction from trampling by high densities of livestock. Run-off from compacted ground can lead to detrimental effects on water quality from excess nutrient and pathogenic bacteria. This can have subsequent damaging consequences to aquatic life from sedimentation and eutrophication.

23. One of the most sensitive habitats to grazing is upland blanket bog because of the low growth rate of the vegetation and the erodible nature of the deep peat soils beneath it. The consequences of overgrazing peat bog can result in release of carbon dioxide through loss of vegetative cover leading to drying out of surface layers or in extreme cases erosion. The interaction between grazing animals and peat bog maintenance is, however, complicated. The natural climax community of the peatland is scrub/forest and without grazing or some other form of vegetation control these species can dominate.

24. Overgrazing has largely been a result of farmers responding to policy initiatives leading to intensification by increasing stock numbers. The introduction of the Hill Livestock Compensatory Allowance in the 1970s introduced payments based on stock numbers and further schemes for beef and sheep also in the form of headage payments were introduced in the 1980s. This provided farmers with an incentive to increase stock numbers. It was only with the introduction of the Single Payment Scheme in 2005 that headage payments were removed.

25. The impact of under-grazing has generally been viewed as less significant for upland habitats than over-grazing and the available evidence does not suggest that it is a significant or widespread environmental problem across the English uplands as a whole. However, the Government recognises that there is concern that this may become more of a problem in future in certain areas, and that the situation needs to be monitored. This will allow an assessment to be made of the potential impacts on landscape, access and archaeological remains if vegetation is allowed to grow up and left unchecked, in particular in marginal areas. Locally agreed management regimes can have a useful role to play in helping to define appropriate grazing levels that can balance the needs of farmers, environment and cultural assets.

Water management

26. Government grants in the 1950s and 1960s enabled many areas to be mechanically drained to open more land up for livestock production. Approximately 10,000 hectares of moorland SSSI are in an unfavourable condition due to inappropriate drainage.¹¹

27. The main impacts from inappropriate drainage in the uplands are:

- Decline in biodiversity of species on wetter habitats.
- Releases of carbon dioxide.
- Releases of sediment into streams from peat erosion leading to impacts upon aquatic life as well as increases in water treatment costs.

28. The exact amount of peat loss from upland areas is unclear, but it is likely to be at least on the same scale as those from lowland peats, say 0.5–0.9% of UK GHG emissions, or higher due to their larger area.¹² Climate change may also exacerbate the degradation of peat bog as higher temperatures are likely to encourage the decomposition of peat.

29. Upland blanket bogs play a crucial role in water management. Up to 70% of England's drinking water is sourced from the uplands watersheds. Bogs represent a major reservoir of fresh water. Degraded bogs release large quantities of "colour" (dissolved peat) that water companies spend significant amounts of

¹⁰ Farming in the English Uplands, Defra Agricultural Change and Environment Observatory

¹¹ Farming in the English Uplands, Defra Agricultural Change and Environment Observatory

¹² Figures for uplands are not in our UK Greenhouse Gas (GHG) inventory. The UK GHG Inventory reports emissions from UK lowland peat of just over 1.55 million tonnes of CO₂ per year (equivalent to 0.24% of UK GHG emissions). But Natural England estimates that this is much higher: they have concluded that English lowland peatlands could be emitting between 2.8 and 5.8 million tonnes of CO₂ a year (equivalent to 0.44–0.91% of UK GHG emissions). This loss is mainly due to drainage and cultivation.

money removing from the drinking water supply. The costs are then passed on to consumers in the form of higher bills. Peat bogs also immobilise huge quantities of legacy pollutants from heavy industry. If the bog degrades, these are released back into the environment.

30. It should be possible to maintain peat bogs in good condition and stop further damage, and farmers have a major role to play here. “Grip blocking” (blocking drains) is, for instance, being supported by Higher Level Stewardship, NGOs, some utility companies and other water catchment schemes. How successful this can be in trying to restore previously degraded land is still unclear.

31. There is also a potential role for uplands in managing flood risk downstream. Healthy bogs for example hold back huge quantities of water whereas degraded bogs tend to release water quickly, which can lead to soil erosion and flash flooding. Retaining water in the uplands therefore could have positive implications for flood risk lower in the catchment. However, there is currently no evidence that peat land restoration can provide catchment wide benefits against the most damaging floods which tend to occur when the ground is already saturated.

Burning

32. Burning is used on heather moorland and acid grasslands and can be successful in promoting heather regeneration. However, if done on too wide a scale or too frequently it can negatively impact upon some species and other ecosystem services such as soil carbon storage and water quality. Burning can also favour some species to the detriment of others. It can also lead to an increase in water pollution through run-off of sediment. Burning on peatland¹³ has been used (mostly in Scotland) as a means of improving vegetation for sheep grazing. In England burning of peatland is almost exclusively limited to managing the moorland for grouse. Because of the complexity of burning, localised approaches drawing on sound evidence and expert advice are very important.

Eutrophication and acidification

33. Eutrophication occurs when nutrient enrichment leads to excessive growth of some plant species at the expense of others. These nutrients may come from sources such as atmospheric deposition, and agricultural runoff from artificial fertilisers and animal excreta. Species that have adapted to most upland habitats prefer low nutrient content in the soils and water. The impacts on species that are nutrient intolerant can therefore be high, with serious impacts on biodiversity. Nitrogen compounds can also increase the acidification of soils and water courses (through diffuse pollution from run-off). Since 1998 the pH of soils in the uplands has increased significantly over most of the main habitats although there is not yet evidence of a significant impact on plant species.¹⁴

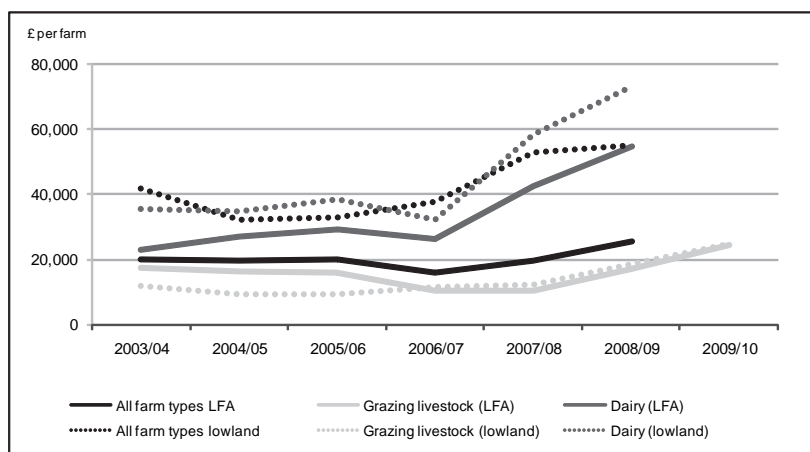
¹³ In this context, peatlands cover a broader area than peat bogs and include all land with peat soil irrespective of the present vegetation on the surface. Whilst burning should not occur on peat bogs following the Heather and Grass Burning Code, it can still take place on peatlands where heather moorland is growing on peat soil

¹⁴ Farming in the English Uplands, Defra Agricultural Change and Environment Observatory

ECONOMICS OF UPLAND FARMING

34. Incomes on upland farms, on average, have been consistently lower than for lowland farms. This is mainly due to the uplands having a larger proportion of grazing livestock (ie beef and sheep) farms. These tend to have lower incomes than farm types which occur more commonly in the lowlands, such as dairy, cereals and general cropping farms. The levels of income for grazing livestock farms are in fact very similar between the lowlands and the uplands, as Figure 5, below, shows.

Figure 5
AVERAGE FARM BUSINESS INCOMES FOR SELECTED FARM TYPES (ENGLAND)



Note: The forecasts for 2009–10 are based on information available in early January 2010 for prices, animal populations, marketings, crop areas and yields. They are intended as a broad indication of how each farm type is expected to fare compared with 2008–09 and are therefore subject to revision. Detailed figures for all farm types and dairy farms split between LFA and lowland will be available in November 2010. The average FBI for all dairy farms is projected to fall by around 10% in 2009–10. Incomes for 2009–10 will be published on 28 October 2010.

Source: Farm Business Survey, years ending in February. Farms > 0.5 SLR.

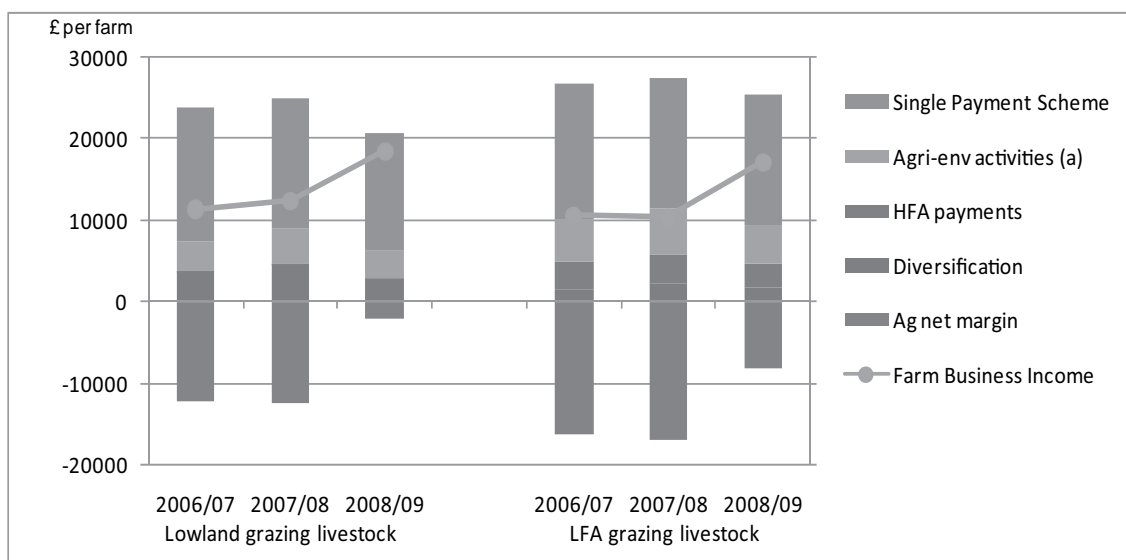
35. So the principal issue is less one of the poor viability of upland farming as such, but more one of the economics of grazing livestock farming in general, the farming type which happens to be the most prevalent in the upland environment.

36. There is also a very wide range in incomes across upland farms. For example, in 2008–09, data from the Farm Business Survey in England showed that Farm Business Income on SDA (Severely Disadvantaged) farms in the LFA ranged from an average of—£40 per hectare in the bottom quartile, to £218 per hectare in the top quartile. These income levels include the Single Payment (of about £100 per hectare in these examples). The major factor behind this wide range in economic performance is variation in the level of income from agriculture (as opposed to income from diversification, Single Payment or agri-environment payments).

37. Grazing livestock farming is currently almost always economically unviable without public payments. Figure 6, below, shows the breakdown of income from business activities and subsidy for both lowland and upland grazing farms. Lowland grazing farms share the same difficult economic circumstances, although typically make slightly less of a loss on their agricultural activities and have greater scope for diversification income.

Figure 6

Breakdown of income sources for lowland and upland grazing farms in England for the latest three years. Length of columns indicates the contribution from each source). Farm Business Income shows the gross income from each of these sources, including the contribution of agriculture, which has a negative net margin or income



Source: Farm Business Survey

38. Without support from the Single Payment Scheme and the former Hill Farm Allowance), many upland farmers would, at current (or recent) input and output prices be making a loss on average on their farm business activities.

39. This reliance on public support is demonstrated by an analysis of Farm Business Survey data for 2008–09, which shows that upland farmers received around £163 million from the Single Payment Scheme, £54 million from agri-environment payments and £19½ million from the Hill Farm Allowance scheme (now replaced by Uplands ELS funding of £25 million, depending upon uptake). When adjusted for business size the contribution to farm business income from the Single Payment is around 15% higher on upland farms than those in the lowland. The contribution from agri-environment schemes in addition to the Hill Farm Allowance is almost three times as great.

40. Diversification opportunities are often more limited in the uplands due to the sparse population and, for a number of areas, longer distances to large population centres. Farm Business Survey data highlights that LFA farms have the lowest proportion of diversified activity (41% of LFA grazing livestock farms undertaking some form of diversification in 2007–08, compared to 51% across all farms) and that the contribution of these diversified activities to farm business income was 21%.¹⁵ The Uplands Farm Practice Survey found that more than half (56%) of upland farms had a diversified activity or other income contributing to household income. For almost half of upland farmers this was from an off-farm diversification enterprise or income whilst a quarter of upland farms had an on-farm diversified enterprise such as a farm shop or Bed & Breakfast. The survey highlighted that over half of upland farmers with no current diversified activity felt there was either no scope or they had no plans to diversify, and a further significant group had never thought about diversifying (28% of those with no current on-farm enterprise and 43% of those with no current off farm enterprise or income). There is, however, a greater tendency in the uplands towards supplementing farm income with off farm employment—whether on the part of the farmer or spouse—reducing the time available for further on-farm diversification.

¹⁵ Farming in the English Uplands, Defra Agricultural Change and Environment Observatory

SINGLE PAYMENT RATES IN THE UPLANDS

41. For the purposes of receiving the single payment, England is divided into three regions: English moorland within the Severely Disadvantaged Areas (SDA); English SDA non-moorland; and, English non-SDA. Upland SDAs are disadvantaged relative to non-SDA land in due to a number of factors: higher altitude, harsher climate with a shorter growing season, low soil fertility, difficult topography, and remoteness.

42. When the Single Payment Scheme was introduced in 2005, and following consultation with the farming industry, it was decided that, in order to limit the redistributive effects of the new scheme, the SPS funding within each of the three regions would be kept broadly the same as existed under the old production-linked subsidy schemes. Moorland farms, typically having lower production levels than lowland farms, previously received lower subsidy payments, which the current per hectare payment rate reflects.

43. The 2009 rates per hectare of Single Payment for the three regions are:

- €190.47 for non-SDA.
- €156.09 for upland SDA, other than moorland.
- €27.37 for upland SDA moorland.

AGRI-ENVIRONMENT SCHEMES

44. Agri-environment schemes provide funding to farmers and land managers to farm their land in a way which is sensitive to the environment. Agri-environment scheme payments are based on income forgone and costs of undertaking an activity, as allowed under EU and WTO rules. Until 2005, these were targeted at specific areas or landscape types considered to be of high conservation value, largely through Environmentally Sensitive Areas (ESAs) or the Countryside Stewardship Scheme (CSS). Significant areas (over 400,000ha) of the uplands are still participating in ESA and CSS agreements which gradually expire until 2014. The transition of land under these expiring agreements to Environmental Stewardship (ES) will be key to retaining the environmental benefits and maintaining income levels. At the end of August 2010 national figures suggest that 88% of land under expiring ESA and CS agreements had been transferred to ES. The 2009 Uplands Farm Practices Survey suggested that more than 80% of upland farmers with ESA or CS agreements would be interested in joining another agri-environment scheme.

45. Environmental Stewardship (ES) was introduced in March 2005, providing funding to farmers and land managers throughout England who deliver effective environmental management on their land. There are two levels of management:

Entry Level Stewardship (ELS) and Organic Entry Level Stewardship (OELS) aims to encourage the majority of farmers in England to participate in an agri-environment scheme with a range of simple but effective low cost management options. More recently, a specific uplands strand—Uplands ELS—has been launched, with further details below.

UPLANDS ENTRY LEVEL STEWARDSHIP (UPLAND ELS)

46. The most recently introduced strand of Environmental Stewardship is the new, uplands-focussed, Uplands Entry Level Stewardship. Launched earlier in 2010, the first agreements commenced on 1 July. Uplands ELS is the successor scheme to the Hill Farm Allowance (HFA), which was paid to beef and sheep farmers in England's uplands to compensate them for the additional costs of farming in disadvantaged areas. In 2004, the Government held a review of uplands support, and in 2006 announced the intention to incorporate such support into Environmental Stewardship, with the aim explicitly linking payments to upland farmers with delivery of public benefits, whilst recognising the significant level of such benefits provided by upland farmers. The aim is to secure widespread benefits by encouraging large numbers of upland farmers with land in the SDA to deliver simple yet effective environmental management. In order to smooth the transition for upland farmers from the compensatory support of the HFA to Environmental Stewardship, the HFA was extended into 2010.

47. Uplands ELS is aimed at maintaining and improving the biodiversity, natural resources, landscape and historical value of England's uplands, and to contribute to climate change mitigation and adaptation, by supporting the land management practices which deliver these benefits. It recognises the vital role of upland farmers in maintaining some of the most iconic areas of England, and better targets public funding towards the delivery of environmental and landscape benefits, and is available to all upland farmers (including dairy farmers and those with very small holdings, who were ineligible for HFA).

48. Uplands ELS provides a standard payment every year for five years. Farmers have to carry out certain land management requirements and can then choose from over 70 options for farmers, including grassland management, mixed stocking and restoring farm structures such as barns and stone walls. Payments are made at £62/ha, or £23/ha for parcels 15ha or larger above the moorland line. These payments are made at the same rate no matter the size of the holdings: a change from the system under HFA where payments were degressive above a threshold of 350ha.

49. Uplands ELS uptake target is for 80% of Severely Disadvantaged Areas in Uplands ELS by 2015, with an interim target of 505,000ha by March 2011. If this target is achieved, the total spend will be over £25 million per annum.

50. Those upland farmers with land currently in “classic” agri-environment agreements (Countryside Stewardship and Environmentally Sensitive Area schemes) are not able to enter this land into Uplands ELS. To avoid these early adopters of agri-environment being disadvantaged, an Uplands Transitional Payment (UTP) is available to them. The UTP operates along similar lines to the old HFA and is administered by the Rural Payments Agency. Over 2,500 applications have been received for UTP 2011, the first year of this payment. The payment rates are likely to be similar to those under the HFA. As the “classic” agreements come to an end, between now and 2014, those farmers will be encouraged to enter the land into Environmental Stewardship.

51. Farmers’ interest in Uplands ELS has been growing rapidly in recent months with more than 3,000 hill farmers and land managers having applied for the scheme, accounting for more than 500,000ha of the uplands. Initial information on uptake of the scheme shows that a wide variety of management options are being chosen by farmers. Popular options range from cattle grazing and grassland management, through hedgerow and stonewall management, to management of archaeological features and maintenance of traditional farm buildings.

52. Uptake of Uplands ELS has been supported by both Natural England and farming bodies, who have carried out events to promote the scheme. Natural England has also contacted all upland farmers to let them know of the move from HFA to Uplands ELS and to encourage them to join the scheme. In addition, the Entry Level Stewardship Training and Information Programme provided support through both group events and 1:1 training for upland farmers to help them understand the scheme.

53. Defra and Natural England are putting in place a monitoring programme to understand the uptake and impacts of Uplands ELS. This will include consideration of environmental outcomes achieved by the scheme and also the impact on farmers’ attitudes towards the scheme and land management practices. It will also help us to understand the levels of participation within the upland farmer population.

54. Concerns have been raised about the ability of tenant farmers to access Uplands ELS. Tenants with tenancies of fewer than five years require the countersignature of their landlord on their application. This requirement is the same as for all other strands of Environmental Stewardship, and is designed to guarantee delivery of the full environmental benefits the scheme sets out to achieve and to thereby meet EU requirements. Uplands ELS explicitly recognises the role of the active grazier, whom the Government recognises plays a vital role in delivering the environmental benefits that are being sought. In collaboration with the industry, we have produced specific guidance for tenants and landlords interested in joining Uplands ELS.¹⁶ Defra will be monitoring uptake by tenant farmers as part of the overall monitoring programme for Uplands ELS.

55. Concerns have also been raised in relation to upland commons. Commons agreements require co-operation between the commoners, who (for example) are required to establish and maintain a commoners’ association. There is a £5/ha supplement on common land because of the additional cost involved in brokering agreement between the various parties, which may include negotiations with both inactive graziers and the landowner (who in many situations will also have a role to play in moorland management). This supplement brings in significant additional income for the participants—it will be worth an additional £25,000 over the life of an agreement on a 10 km² common. The process for commons joining Uplands ELS has been set out in new guidance published by Natural England,¹⁷ which sets out the steps commoners need to take to map and register their land and to set up their commoners’ association and agreement. It is not prescriptive in how a commoners’ association should be organised—different structures will be suitable for different situations—but gives guidance on the principles that commoners may wish to consider in setting up their association.

56. So far, around 90 applications have been submitted by commons, covering just under 100,000 hectares of common land. The Government hopes to see this figure increase: we recognise that the application process for new commons may take longer than for individual holdings due to the need to negotiate a joint agreement and also the requirement—where commons are not currently mapped onto the RPA’s Rural Land Register—to register the land. However, the Government is keen to see the number of commons increase as they represent an important part of the upland farming landscape and can deliver vital environmental benefits by undertaking management through Uplands ELS. The minimum stocking rate for moorland in Upland ELS is designed to help to address the declining levels of grazing being reported on some upland commons.¹⁸

¹⁶ <http://www.defra.gov.uk/rural/documents/countryside/uplands/trig-guide.pdf>

¹⁷ http://www.naturalengland.org.uk/Images/ES%20Announcement%202.10%20-%202012%20Feb%202010_tcm6-16891.pdf

¹⁸ *Trends in pastoral commoning [NECR001]* (NE, 2009)

HIGHER LEVEL STEWARDSHIP (HLS)

57. Higher Level Stewardship (HLS) is also of considerable importance in the uplands as it provides funding for additional and more complex habitat management in priority areas. Since November 2008, these objectives have been broken down into regional priorities. Natural England has identified 110 target areas, including almost all upland areas, each with their own set of environmental priorities. The priorities for each target area are set out in Target Area Statements. Agreements are sought in each target area that will make the greatest total contribution to the identified environmental priorities for the available resource. As well as the target areas, which cover multiple objectives, Natural England has identified themes which give the priorities for HLS outside the target areas. These themes have been agreed on a regional basis. The theme approach allows those farmers and land managers outside the target areas to focus classic scheme renewals and new HLS applications to meet theme priorities. Moorland and upland rough grazing are the greatest source of expenditure for HLS agreement options in the uplands although there is some regional variation.

58. HLS, CSS and ESAs are disproportionately important as income sources in the uplands compared to lowland areas. In October 2009 (prior to the launch of Uplands ELS), 26% of farmed land in the LFA was in ELS or its organic equivalent. But, overall, around 70% of farmed land in the LFA was under some form of agri-environment scheme with over 40% managed under ESA, CSS or HLS schemes. Nationally around 68% of farmed land is managed under some form of agri-environment scheme with around 58% of farmed land in ELS and only around 9% managed under CSS, ESA or HLS schemes.

Socio-Economic Measures under the RDPE

59. The Rural Development Programme for England (2007–13) implements the EU Rural Development Regulation, which is Pillar 2 of the Common Agricultural Policy (CAP). In addition to funding agri-environment schemes, the Programme provides grant support to improve the competitiveness of the farming and forestry sectors and diversification of the rural economy. The Programme provides support for a wide range of actions, including: modernisation of agricultural holdings; training; innovation; improvement of infrastructure; adding value to products; diversification; and, rural broadband. Opportunities for support provided through the RDPE are available to hill farmers to take up.

60. The RDPE also provides support to rural communities to maintain the quality of life in rural areas, for example through the provision of basic services and engages local communities in decision-making about how the Programme's support is used within the local area through the Leader approach. The Leader approach (also known as Axis 4) is a good example of the Big Society at work and offers an opportunity for local people to become more involved in managing their own affairs, while at the same time capitalising on socio-economic opportunities. A large proportion of upland England is covered by Leader groups to help upland communities to help themselves in a way which is inclusive of upland farmers.

COMMON AGRICULTURAL POLICY (CAP) REFORM

61. The impact of CAP Reform in 2003 has already helped to bring hill sheep numbers more in line with domestic and export market demand. Although breeding sheep numbers have declined, improvements in breeding efficiency by the farming industry have seen no noticeable impact on lamb production levels.

62. Public funding for upland farmers will continue to change in the future as the CAP is reformed further. The UK Government has set out an ambition to make European farming viable without subsidy, and will be seeking deep and lasting reductions in farm income support in the forthcoming negotiations on CAP reform and the EU Budget. While a number of European Governments remain committed to arguing for the retention of farm income support, increasing recognition by Europe's leaders of the budgetary pressures facing the EU mean that the UK stands a better chance than in previous negotiations of achieving its ambitions. Farmers—including those in the uplands—need to recognise that income support from the CAP on the current basis is very unlikely to continue indefinitely, although a realistic transition period is likely to be secured.

63. Research¹⁹ has found that although farmers were aware of approaching CAP reforms, very few were seeking to change their business in advance of this. A “wait and see” approach was common among the farmers interviewed as part of this research project, along with a reluctance to admit that public support could be reduced without increases in returns from livestock farming.

¹⁹ Economic and environmental impacts of changes in support measures for the English Uplands: An in-depth forward look from the farmer's perspective, Countryside and Community Research Institute and Food and Environment Research Agency

FARMERS' ATTITUDES, PROFILES AND SUCCESSION EXPECTATIONS

64. The Upland Farms Practice Survey asked farmers what they thought were the most important challenges for the future. The most common responses are shown in Table 1.

Table 1
MOST IMPORTANT CHALLENGES FOR THE FUTURE

<i>Most Important Challenge for the Future</i>	<i>% of upland farmers in agreement</i>
Market Prices	76%
Changes to Single Payment	65%
Impact of New Regulations	65%
Input Costs	59%
Level of Environmental Payments	47%

Source: Uplands Farm Practices Survey

65. With market prices often not covering costs of production this is a logical challenge for upland farmers to perceive and want to address. We have also noted that changes to the CAP will make a significant impact upon upland farms. There are other economic factors that are not so much in the immediate consciousness of upland farmers but do have the potential to help improve competitiveness. These are primarily: succession, and education and skills—particularly business planning.

66. The average age of an upland grazing livestock farmer was 57.7 years in 2007 which suggests slow succession rates (although this is an issue for the whole farming industry). Succession is secured on only 37% of upland farms—almost exclusively within the family. This reliance on attracting new entrants to upland farming through the family route is commonplace. For a further 26% of upland farms, succession remained uncertain, and for 27% no succession arrangements were in place. For those with no succession arrangements, the most commonly quoted reasons were: “family do not see the future in farming”, “family not interested” and “no family”.²⁰

67. The Uplands Farm Practice Surveys found that 21% of upland farmers planned to exit the industry within the next five years. Recent research²¹ suggests that this figure could be even higher moving towards a long term trend of fewer but larger farms. It also indicates that there will be more frequent changes in ownership and tenure than currently exists. Despite this there is an underlying determination for many upland farmers not to leave the industry (Table 2).

Table 2
FUTURE PLANS OF UPLAND FARMERS

<i>Future Plans</i>	<i>% of upland farmers in agreement</i>
Will do all that they can to remain in farming	41%
Will try to remain in farming	38%
Plan to retire	19%
Thinking of leaving farming for another career	2%

Source: Uplands Farm Practices Survey

68. For those aged over 65, less than a third planned to retire with 37% “planning to do all that they can to remain in farming” and a further 31% “trying to stay in farming.”

69. The ability to remain in loss making activity can be supported by strong assets—essentially eating into the asset base of the business in order to survive. The balance sheet for upland farms is strong, even on tenanted farms who record a net worth of 86% of total assets.²² Borrowing is low on upland farms compared to other farm types. Almost half of upland farmers make no interest payments or actually receive interest payments from off farm investments.

70. The 2007–08 Farm Business Survey found that half of commercial upland farmers had no further or higher education qualifications. Whilst this is somewhat higher than for lowland farmers (37%), it can largely be explained by farm type. A comparison between lowland and uplands for grazing livestock and dairy farms suggests that there is very little difference in their levels of further education or attitudes to skills. When asked about skills gaps, over 70% of grazing livestock farms had not identified any knowledge or skills gaps, compared to just over 60% of dairy farmers.²³

71. Formal business planning is also low, with only 40% of upland farms having a business plan and under half setting any targets for business or environmental improvements.

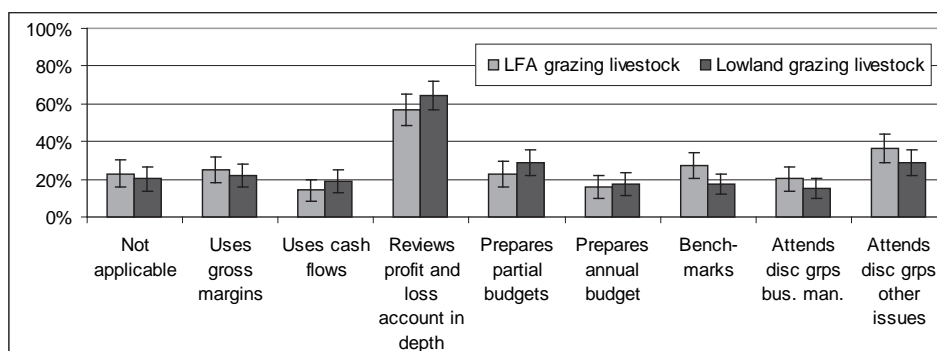
²⁰ Farming in the English Uplands, Defra Agricultural Change and Environment Observatory

²¹ Economic and environmental impacts of changes in support measures for the English Uplands: An in-depth forward look from the farmer’s perspective, Countryside and Community Research Institute and Food and Environment Research Agency

²² Farming in the English Uplands, Defra Agricultural Change and Environment Observatory

²³ Farming in the English Uplands, Defra Agricultural Change and Environment Observatory

Figure 7
PROPORTION OF GRAZING LIVESTOCK FARMERS BY MANAGEMENT ACCOUNTING PRACTICE



Source: Defra, Farm Business Survey 2007–08, Farms > 0.5 SLR

72. Fundamental improvements in these management practices along with more flexible and easier succession arrangements and investment in business skills and training would go some way to facilitating an improvement in the competitiveness of upland farms.

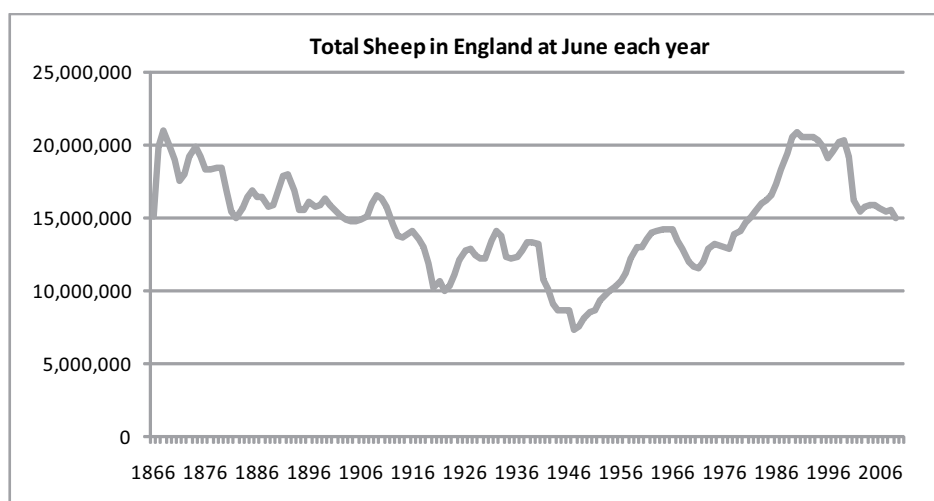
LAND ABANDONMENT

73. With marked reductions in stock levels since 2004 and the poor economic viability of upland farming there are anecdotal concerns that land abandonment in the uplands could become widespread and cause environmental problems associated with the absence of grazing.

74. However, there is little current evidence to support this. The land market for upland farms is still buoyant with demand for both farms to buy and tenancies to rent high driven by the determination for many farmers to continue farming. A recent survey shows that there is a “business as usual” approach from farmers in respect of stocking levels: 90% of those grazing the land intend on doing so at the same level over the next two years.²⁴ As well as the determination of many farmers to remain in farming, participation in agri-environment schemes with minimum stocking densities for moorland should help to retain sustainable grazing levels on moorland.

75. The uplands saw historically lower numbers of sheep in the period prior to the increased intensification of agriculture since the 1970s (see fig.8)—which might suggest that sheep numbers could continue to fall before reduced grazing levels cause more widespread environmental problems associated with under grazing.²⁵ The important role of sustainable grazing in management of the uplands has already been discussed earlier in this memorandum.

Figure 8
TOTAL SHEEP IN ENGLAND



Sources: June Census/Survey,

²⁴ Farming in the English Uplands, Defra Agricultural Change and Environment Observatory

²⁵ Although there are no records of upland sheep numbers prior to 1975, the stratification of the sheep industry would suggest that lowland and upland sheep levels follow one another

FUTURE PROSPECTS FOR UPLAND FARMING

76. Defra's Structural Reform Plan has made the support and development of British farming and the encouragement of sustainable food production one of its three overarching priorities. As part of this, the Government is committed to helping create the right conditions for sustainable farming in the uplands and made a specific commitment to *"develop affordable measures of support for hill farmers"*.

77. Upland farming provides an important combination of environmental, landscape and social benefits alongside agricultural produce. Farming has helped to shape the uplands' landscapes and communities and is also an important source of stock for lowland livestock farming. However, as has already been noted, the economics of upland farming are very challenging and the numerous social and environmental benefits upland farmers provide are not fully rewarded by the market for the livestock goods they produce.

78. Continuation of upland farming, with all the associated benefits to the environment, landscapes and society, will require the economics to become more favourable by one means or another. Upland farmers will need to focus on improving their efficiency and margins, and on making the most of all the income-generating opportunities open to them.

79. Upland farmers will need to have strong business skills and entrepreneurial outlooks. They will need to constantly seek greater efficiencies, cut costs and maximise the income from their livestock enterprises. Actions which some upland farmers have already taken to increase their efficiency include:

- Extending their farms when the opportunities arise to spread fixed costs more widely;
- More extensive herd management that can help reduce unit costs of production;
- Using contractors to reduce cost of permanent staff and equipment;
- Collaborating with neighbours to share resources. Moorskills on Dartmoor, Devon is a good example of farmers pooling resources so that an apprentice can gain the breadth of experience needed for a successful career in hill farming;
- Using nutrient management plans to understand optimal applications rates that help to reduce fertiliser use—and cost—on in-bye land;
- Co-operating with neighbouring commoners through vibrant commoners' associations; and, where a consensus cannot be achieved, commons councils;
- Entering into partnerships with water companies to receive benefits for changing practices to improve water quality;
- Taking advantage of the greater profits to be had from higher-value products, such as by focusing on specialist breeds or finishing stock themselves where facilities exist;
- Ensuring succession plans are in place for those coming into the business, ensuring they have the sufficient skills and knowledge to meet future challenges. Initiatives such as the Fresh Start Academies are a good example of public and private co-operation in succession planning and support and should be utilised by industry; and
- Making full use of business planning tools: management accounting, cash flow forecasts, budgeting, benchmarking etc.

80. Government has a role to play. We will remove barriers and obstacles where we can, such as through the work of the Farming Regulation Task Force. RDPE funding (axis 1) is also available to support farm businesses become more competitive.

81. Livestock production on its own is unlikely ever to be enough to make uplands farms profitable, though for many upland farmers it is the driving force. The Uplands are often seen as areas of disadvantage because of their relatively harsh agricultural and physical conditions and their distances from the facilities and markets of urban population centres and with limited amenities of their own. But these hilly environments and seclusion from urban population centres also make the uplands areas of prized natural assets and a favourite tourism destination. Capitalising on these natural assets presents a business opportunity for hill farmers looking to their wider role as land-managers and stewards of the environmental and landscape benefits they can provide.

82. Agri-environment payments, in particular the new Uplands ELS, are already important for many hill farmers and the Government hopes farmers will make the most of such schemes.

83. Some farmers already take advantage of tourism income by having branched out into new enterprises, such as providing holiday accommodation and farm shops to sell their produce direct to visitors. RDPE funding (axis 3) is available to support farmers to diversify and branch out into new enterprises.

84. Uplands areas are far from homogenous. They differ in terms of geology, geography, climate, biodiversity, livestock breeds, farming traditions and their communities. In line with the Big Society agenda we want to encourage and enable local innovations with local upland farmers and other stakeholders working together to create the best business opportunities from their local assets and markets.

85. As part of a wider statement of Defra's policy priorities for the uplands, we will be setting out our thinking in early 2011 on how a more sustainable future for farming in the uplands can be achieved. We look forward to the contribution of this inquiry to our consideration of this important issue.

October 2010

Annex A

UPLAND HABITAT TYPES AND KEY CHARACTERISTICS

<i>Habitat</i>	<i>Characteristics</i>
Improved Grassland	Sown specifically for agriculture or created by modifying unimproved grassland. Consist of predominant grass species such as rye grass and clover. When not grazed they are often mown regularly for silage production. Biodiversity is lower than in unimproved grasslands.
Neutral Grassland (inc upland hay meadows)	Occur on soils with a neutral pH and consist of a diverse range of flora if well managed. Tend to be used as rough grazing for agricultural purposes or hay production. Damaged by nutrient inputs from fertilisers and the change from hay to silage production. More predominance in the North of England.
Acid Grassland	Occurs on acid soils and can be created by overgrazing. Plants tend to be stress tolerating acid grassland species such as bents and fescues making it a relatively species poor habitat.
Dwarf Shrub Heath (heather moorland)	Found on thin mineral and peat soils containing diverse ranges of dwarf shrubs such as heather, bilberry and crowberry with the dominance of these plants varied across different upland areas. There is considerable biodiversity and landscape value.
Calcareous Grassland	Found on shallow lime-rich soils and largely used for rough grazing in agriculture. The type of limestone bedrock will determine the grass and herb species present. Important habitat for invertebrate species. Most common in North Pennines and Lake District.
Broad leaved/mixed woodland	Upland oak woodlands made up of oak and birch are rare and found on acidic soils with a predominance of bryophytes due to the open structure from stock grazing. Mixed ash woodland is also rare and these are found on alkaline, rich soils and support a wide range of flora and fauna. Overgrazing, lack of management, clearance, invasive species (e.g rhododendron) and conifer planting have been blamed for declines since 1940. Current land area relatively stable since 1990.
Blanket Bog	Largest carbon store in England. Plants such as sphagnum moss thrive in these purely rain-fed water-logged conditions and also support a range of species specific to this habitat. Vulnerable to overgrazing, drainage and burning with loss of biodiversity and carbon release.
Coniferous Woodland	More plantations now reaching maturity and being removed and re-planted with more broad-leaved indigenous species (oak, ash etc)
Bracken	Most likely to be found on acid and neutral grasslands and more predominant in Western areas. In favourable growing conditions Bracken can engulf other species reducing biodiversity. Also unpalatable and poisonous to livestock.
Rocky Outcrops	Often inaccessible to livestock so can act as refuges for tall herbs, ferns etc otherwise vulnerable to grazing. Those that are accessible tend to have closely cropped grasses. Includes calaminarian grasslands that were created by lead mining activity
Lakes and ponds	These are nutrient poor systems which have distinctive flora and fauna. They are sensitive to pollutants and eutrophication that can lead to impacts on aquatic biodiversity. Also susceptible to pollution from sediment and livestock manures.
Arable/Horticultural Land	Land deemed suitable for arable or horticultural cultivation.
Built up areas/gardens	South Pennines has the highest concentration of built up areas.

Supplementary written evidence from the Department for Environment, Food and Rural Affairs

Thank you for your letter of 23 November asking for some follow up information from the oral evidence session on 17 November. This information is set out below.

If the Minister would be willing to comment on the results of the testing of the eight bio-physical criteria that the European Commission has proposed be used to identify areas of natural handicap/constraint

The review of Areas of Natural Handicap, or ANH—previously known as Less Favoured Areas, or LFA—has been underway for some time, following a European Court of Auditors report from 2003 which was critical of the differences in how Member States applied the area designations. In the most recent attempt at reform, the Commission proposed eight biophysical criteria and asked all Member States to simulate what areas of land would be designated as ANH under those criteria. The eight criteria cover aspects of soil, climate and slope.

The UK has played a full part in this testing, and in February 2010, submitted our initial mapping results to the Commission. I enclose a copy of the UK's submission to the Commission. My officials then met the Commission in April to discuss the results. The initial mapping results showed that the Commission's approach broadly captured the areas of land we would regard as naturally handicapped. However, the Commission's proposed criteria did not capture those areas which are constrained because of the UK's maritime climate. In England this is particularly noticeable in the South West, where land currently classed as Severely Disadvantaged Area (SDA) did not come into the ANH defined by the simulation. There are also areas in the Welsh borders which are not being captured by the Commission's approach, while some additional land is being captured, particularly in the North East. Similar issues around climate and temperature as in the South West arose in Wales and Scotland; while for Northern Ireland, the results broadly reflected the areas considered as naturally handicapped.

The UK's submission therefore identified a number of proposals for amendments, or additions to, the Commission's criteria, to better reflect handicapped land in the UK. The Commission have in general been supportive of the UK's proposed amendments, and have indicated some flexibility in their mapping methodology, which would allow us to better capture naturally handicapped land within the UK. However, discussions are still ongoing on the best way to ensure that the UK's maritime climate is taken into account. We understand that other Member States have also raised a number of issues with the Commission, which are also being considered.

It is important to note that the exercise is only a simulation, and not a revision of the current Less Favoured Areas. The current results do not therefore have any practical impact, and the designation used for policy purposes including Uplands Entry Level Stewardship remains the domestic Severely Disadvantaged Area classification. We will remain fully engaged at EU level as it becomes clearer how the Commission intend to take forward any formal redesignation, as well as how any new designation may be used under the Common Agricultural Policy post-2013.

The rationale for precluding amending the statutory objectives of National Parks as an option within the Consultation on the Governance arrangements for the National Parks and the Broads

The remit for the current consultation on the governance arrangements for the National Parks and the Broads was focussed on the generic issues of their future governance rather than substantive issues like amendments to the statutory purposes, although it is possible that responses to the consultation may call for such changes. The Commission for Rural Communities' recommendation that National Park Authorities should give equal priority to fostering economic and social well-being alongside their existing statutory purposes of conservation and access, will be considered as part of the review of uplands policy which will conclude in February 2011 and will take into account any responses to the governance consultation on this point.

The progress of "Home on the Farm", specifically including: what the scheme entails; whether any change or amendment to the Planning Policy Guidance will be made; what the flexibility is for 'Home on the Farm' dwellings to be used by non farm-workers and by retired farm-workers; and whether any budget has been allocated for the promotion or extension of "Home on the Farm"

On 18 October Andrew Stunell, Parliamentary Under Secretary of State at the Department of Communities and Local Government, announced the "Home on the Farm" scheme which encourages farmers and local councils to work together to secure the conversion of redundant and underused farm buildings to deliver affordable homes for local people. Affordable homes provided through "Home on the Farm" will be for households in the local community, which could include non-farm workers or retired farm-workers.

Planning authorities in rural areas with high demand for homes, may want to consider amending their local planning policies to support the change of use of farm buildings to affordable homes where these are considered inappropriate for employment use, or take the need for affordable homes into account in assessing individual applications.

The Coalition Agreement says we will publish and present to Parliament a simple and consolidated national planning framework covering all forms of development. We will make an announcement on how we propose to take forward the national planning framework and the implications for specific areas of planning policy. This will include planning for housing policy.

There is no specific funding allocated to promote “Home on the Farm”, either in terms of grants or for publicity (as the latter will fall within the Department’s normal business). Local authorities may wish to offer incentives to farmers to carry out conversions to provide affordable homes for local people.

The split between rural and urban interests in the LEPs that were announced in October; how Defra will in future be ensuring that LEPs have an equitable balance of urban and rural interests; and also on the accessibility of the Regional Growth Fund to uplands enterprises

In addition to the question above, you also requested more detailed information on LEPs. On 29 June 2010, the Secretaries of State for Business, Innovation and Skills and for Communities and Local Government invited business and civic leaders to come forward with proposals for joint partnerships which would be based around a functional economic geography and which would provide the strategic vision for economic growth within that area. It was for local areas to decide whether they wanted to form a LEP, there was no prescription from Government.

24 LEPs were announced at the end of October. Some of these cover predominantly rural areas (including uplands areas), while others are naturally urban-centric based on established partnerships around cities. Others still, have urban areas with rural hinterlands with close economic relationships with the urban centres. I enclose a map showing the extent of these 24 LEPs. Regarding the areas not currently covered by a LEP, these 24 were only the first tranche of LEPs to be announced. Some 60 expressions of interest to form LEPs were initially received but not all of these fully met the criteria. Suggestions for improvement have been fed back to any prospective partnership and they have been invited to resubmit their proposal once any issues have been addressed. If the revised proposal meets the Government’s expectations then they will become a LEP. Thus areas of the country, including rural areas, not currently part of a LEP could potentially be part of one in the future.

LEPs are developing their own strategy for growth depending on local needs. They will determine their own priorities, including whether they pursue rural and/or uplands interests. However, the White Paper *Local Growth: Realising Every Place’s Potential* published in October, which provides the policy context for LEPs, quite clearly flags the importance of recognising the “characteristics of the rural economy and its contribution to national growth.”

With regard to the specific enquiry about accessibility of the Regional Growth Fund (RGF) to upland enterprises, an organisation or an area is not necessarily disadvantaged by not being in a LEP as RGF bids are not restricted to LEPs. Bids can also be made by private bodies, public-private partnerships (not exclusively LEPs) and by social enterprises. The advantage that a LEP might bring is a more strategic view of the needs of the local economy and an overarching body to bring together packages of smaller bids. Where there is no LEP, areas or organisations may need to think instead about how they can work collaboratively and innovatively with neighbouring places, other organisations and private sector partners.

You may wish to be aware of some other background to the RGF. The fund’s objectives are to stimulate enterprise for the transition to sustainable private sector-led growth and to support areas and communities currently dependent on the public sector. The RGF is £1.4 billion over three years and has a threshold of £1 million for bids—this can be either for individual projects or strategic packages of projects, or strategic investment programmes. The fund is therefore available to a wide range of bids in a wide range of areas, and allows for bids for smaller projects, particularly through the “Programme” option which is designed for small proposals which will together work toward a strategy for economic growth. The fund has been open to bids since 28 October 2010. In addition to the core economic criteria for bids, bidders are encouraged to demonstrate, where possible, how their proposal will contribute to green economic growth. Defra contributes to the funding of the RGF and will be working with other government departments to allocate funding from early next year. Bids will go before an independent panel chaired by Lord Heseltine and will be finally approved by a ministerial group on which my Rt Hon. friend Caroline Spelman will sit on.

The differences between the agriculture tenanted sector in England and in the rest of the EU, specifically, the rights of tenants and landowners to receive EU CAP subsidy

Land tenure arrangements vary significantly across the EU and there is not a clear distinction between England and all other Member States. However, some aspects, such as the management framework for common land, are distinctive to England and Wales as is the informality of some of our seasonal lets eg grazing licences. This can give rise to issues in applying standard regulatory requirements under the various CAP schemes. For example, the Single Payment Scheme Handbook, section E ([http://www.rpa.gov.uk/rpa/index.nsf/15f3e119d8abcb5480256ef20049b53a/d363bddf0e993cba802576e300436523/\\$FILE/ATTUW7IN/SPS%20Handbook%202010%20V2.0%20WEB%20Mar.pdf](http://www.rpa.gov.uk/rpa/index.nsf/15f3e119d8abcb5480256ef20049b53a/d363bddf0e993cba802576e300436523/$FILE/ATTUW7IN/SPS%20Handbook%202010%20V2.0%20WEB%20Mar.pdf)) explains how the requirement to have “land at your disposal” is met for those who hold a tenancy under the Agricultural Holdings Act 1986

or Agricultural Tenancies Act 1995 but requires individual consideration in respect of more informal arrangements. As discussed at the hearing, there are also specific requirements for agri-environment agreement holders—including where they are tenant farmers—that are set out in the scheme handbooks.

In addition, the Minister promised to write to the Committee to clarify the change made by the previous Government in relation to the rules regarding succession to a tenancy.

Following a recommendation of the Tenancy Reform Industry Group, the previous Government amended the Agricultural Holdings Act 1986 to make changes to the “livelihood test” for succession to a tenancy. Previously a potential successor to a tenancy had to have earned his livelihood from agricultural work on the holding from five out of the last seven years in order to meet the “livelihood test”. This discouraged farm tenants from diversification as it could jeopardise a successor’s chances of succeeding to a tenancy if he was carrying out non-agricultural work. However, the amendment made by the Regulatory Reform (Agricultural Tenancies) (England and Wales) Order 2006 provides that income from diversified and off-farm activities can be taken into account in the “livelihood test”, where the landlord has given consent for the diversification.

We understand there have been concerns raised in the Tenancy Reform Industry Group by the NFU and TFA that some landlords are unwilling to renew consents which were given before the legislation was passed. Following a small survey by the Central Association of Agricultural Valuers, TRIG concluded that there was not the evidence to suggest that this was a problem, but it has been agreed that the matter should be kept under review.

The Tenant Farmers’ Association’s proposals in their Vision for Agriculture to modify the taxation system to encourage longer-term tenancies

The Tenant Farmers Association’s proposals to modify taxation in their Vision for Agriculture largely reflect recommendations made in the Report of the Tenancy Reform Industry Group (TRIG) at the end of 2003.

These are:

- An amendment to the definition of agricultural property relief for the purposes of inheritance tax, so that a landlord does not lose or jeopardise his entitlement to agricultural property relief if he agrees to a tenant diversifying out of agriculture.
- Deferment of Capital Gains Tax on improvements to let agricultural holdings.
- For the purposes of assessing Stamp Duty Land Tax, all farm business tenancies that are let for terms in excess of 10 years to be deemed to be 10 year tenancies.
- A review of the schedular system for income tax and corporation tax to remove obstacles to letting and diversification (ie the arrangements whereby losses under one Schedule cannot be offset against profits under another Schedule).
- A review of the VAT position so that where the purpose of the letting is for agricultural use and the dwelling is ancillary to that, the whole be liable for VAT, with VAT due on the whole rent and reclaimable on all relevant costs.
- The current period of ownership of seven years for landlords to benefit from Agricultural Property Relief to be aligned with the period of ownership for an owner occupier, that is two years.

However, in its Vision for Agriculture, the TFA suggests that it might be time for a more radical reform of Inheritance Tax. For example, it questions whether landlords should automatically be entitled to 100% relief if they choose to let land only on short term let and also suggests that agricultural property relief should only be for those landlords who let their holdings for 10 years or more without a landlord’s break clause.

The TFA also argues that a landlord who has decided to let land on a long term basis should be able to treat the income as earned income from which he could off-set costs and losses from his wider business interests.

When the TRIG proposals were originally put forward in 2003 the Treasury made clear that it would need to see concrete evidence before it would contemplate any changes to fiscal arrangements. I have indicated to the Tenancy Reform Industry Group that I am willing to consider any evidence that it can put forward that taxation issues are a barrier to diversification or longer term tenancies, but ultimately this is a matter for the Chancellor.

An update for the Committee on the research Defra has commissioned into water markets (Q224) and the knowledge barriers that this work has identified

There are a number of Projects underway in this area

- Barriers and opportunities for use of Payments for Ecosystem Services (PES): URS/Scott Wilson are undertaking this short study commissioned by Defra to review the barriers and opportunities for use of PES in a domestic context. The study is due to be completed in March 2011.

-
- Strategic Partnership between Defra, the Association of River Trusts and three water companies to test measures for tackling diffuse pollution from agriculture and assess what role there is for innovative approaches like paid ecosystem services to meet the aims of the Water Framework Directive: also to report March 2011.
 - UK Water Industry Research/Water Research Council—water industry led project—part Defra funded, Report summer 2011 overview of the catchment management initiatives being undertaken by water companies during AMP5 Asset Management Programme which runs from 2010–15; a summary of the environmental drivers for action and the measures being implemented; an analysis of the views of the financial, environmental and public health regulators; and, a summary of learning points from catchment management initiatives to date. An evaluation framework for measuring the effectiveness and quantifying the benefits of catchment management initiatives.
 - Several projects funded through the Defra Farming and Food Science Sustainable Water Management Programme are investigating ways of minimising impacts of UK agriculture on water quality. This includes the Demonstration Test Catchments project—which has been established on three river catchments to test measures to reduce diffuse water pollution and to understand the scale of changes needed to achieve improvements in water quality.
 - The National Ecosystem Assessment (NEA) is already demonstrating the importance of the uplands for a variety of ecosystem services, water provision and purification being just two. This analysis will be completed in the Spring of 2011.

Whether Ofwat's system of reviewing water prices could be reformed to allow more investment in upstream measures

We are currently considering whether there are practical and unnecessary barriers to economically justifiable investment in upstream measures as part of the current review of Ofwat, and in developing policy for the Natural Environment White Paper and Water White Paper. Ultimately though, it will be for Ofwat as the independent economic regulator to decide how to run its price review process.

December 2010

Written evidence submitted by the English National Parks Authorities Association

1. National Parks contain some of the most beautiful and remote landscapes to be found in England. Most of these diverse areas spanning both uplands and lowlands include unimproved grassland, moorland, heath and bog that depend on livestock grazing for long-term conservation management. A decline in sympathetic livestock grazing will directly affect the future of landscape quality and biodiversity throughout the National Parks, the farming communities that it supports, and the cultural and historical heritage that it forms part of and helps to preserve.

2. National Park Authorities therefore recognise that in order to maintain and enhance the special qualities of the National Parks for all to enjoy the financial viability of key livestock farming systems must be secured and awareness must be raised of the valuable contribution that is made by cattle, sheep and pony grazing. This submission considers the essential contribution made by livestock farming in England's upland National Parks.

ENGLAND'S NATIONAL PARKS

3. Our National Parks are a truly national treasure. The 10 National Parks in England are living landscapes peopled by farmers, others who manage the land and strong rural communities. Each of the National Parks has a National Park Authority. These are independent bodies funded by central Government and have the following two purposes:

- to conserve and enhance the natural beauty, wildlife and cultural heritage of National Parks; and
- to promote opportunities for the understanding and enjoyment of the special qualities of National Parks by the public.

4. In carrying out these purposes, they also have a duty to seek to foster the economic and social well-being of local communities within the National Park.

National Park Authorities work with partners to deliver these aims simultaneously in an integrated manner.

RESPONSES TO RECOMMENDATIONS IN CRC REPORT “HIGH GROUND, HIGH POTENTIAL”

5. Comment is made on the CRC recommendations that relate to the future of upland farming.

6. CRC Recommendation 4: ENPAA strongly supports the proposal to review the current approach to funding in the uplands with a greater emphasis on rewarding farmers for managing national assets (CRC 4.1). Pilot projects into the delivery of “ecosystems services” in the Lake District, Exmoor and Dartmoor National Parks is being undertaken by Natural England in partnership with National Park Authorities and, we believe, should inform the proposed review.

7. ENPAA strongly supports broadening the concept of income foregone but would prefer recognition, reward, and development of a new approach to payments (CRC 4.2). EU regulations already allow for “cost of delivery” to be taken into account and these provisions should be utilised to a greater extent.

8. National Park Authorities are well placed to take a bigger role as a delivery body in RDPE and Leader (Axis 4) (CRC 4.4). In the South West, for example, the Regional Development Agency has supported the establishment of hill farm projects on Dartmoor and Exmoor National Parks and Bodmin Moor to help increase uptake in RDPE in the uplands. National Park Authorities have developed considerable expertise in delivering effective and flexible grant funding regimes through the Sustainable Development Fund (SDF) programmes that achieve, social, economic and environmental outcomes. Moreover we see scope to simplify the administration for implementation of LEADER, with an enhanced role for locally based National Park Authorities.

9. National Park Authority experience is that, with the exception of Axis 2, uptake of RDPE opportunities within the uplands has been low. A variety of reasons exist for this including:

- the relatively small scale of upland farm businesses means that the investment required and complex application process is perceived as a significant barrier. In the Peak District National Park a Live & Work Rural Programme has been established to support farm diversification schemes and rural business that were on too small a scale to access RDPE funding;
- the lack of integration between axis 1 and 2 has meant that projects that do not deliver a clear financial outcome do not succeed even if they provide other positive outcomes. For example, a proposal for equipment purchase etc. to help moorland management in Exmoor National Park was not supported by RDPE even though it would have enabled more cost effective delivery of environmental management objectives;
- some relevant measures such as those for early retirements for farmers and encouraging new entrants to farming were excluded from the RDPE even though they are permissible within the EU regulation and are used in other parts of Europe. For example, a proposed farming and land management apprenticeship scheme in Northumberland National Park could not receive RDPE funding as the potential beneficiaries were not already employed in farming; and
- the detailed prescriptions that are set out in the RDPE measures provide a major constraint on the projects that can be supported and impede the achievement of the axes objectives.

10. CRC Recommendation 5: ENPAA strongly supports this recommendation and the increased recognition of the wide variety of public benefits being delivered by the uplands. Restoration of functioning peatlands is being supported by a number of water companies including South West Water in Exmoor and Dartmoor. Proposals for market mechanisms for clean water are also emerging but are likely to take some time before coming into operation. We believe that this should be a key aspect of the Government’s forthcoming Water White Paper. We also strongly favour an approach that extends water quality and carbon management within the CAP.

11. CRC Recommendation 6: ENPAA supports recommendation 6 and particularly recommendations 6.1 and 6.2. There is concern in a number of National Parks that approaches to land management that may be appropriate in one region are not applicable in another. A series of national prescriptions such as those set out in Environmental Stewardship schemes provide a severe limitation on the ability to arrive at locally tailored, long term approaches to environmental management that fit in with a farming cycle and deliver biodiversity and other benefits. Natural England have recognised this issue and the consultation process that led to a series of options for Upland Entry Level Stewardship (UELS) that are relevant in the South West as well as in the North East was widely welcomed.

A NEW APPROACH TO FUNDING?

12. The current system of farm support is complex in terms of its structure. The take up of Axis 2 funding has been high but the delivery of the agrienvironment schemes is cumbersome. In effect, there are three agrienvironment schemes plus Single Farm Payment each with their own application process. The other axes of the RDPE should be more accessible for upland farming businesses. LEADER has worked well at the grass roots but axes 1 and 3 have provided relatively little benefit.

13. The RDPE could be a real driver for integrated policy in the uplands but has not been delivered in a way that allows this. There is a need for RDPE delivery to be coordinated so that local needs and opportunities are addressed and delivery should be flexible enough to meet local circumstances. This means

fine grained and tailored arrangements with an emphasis on collaborative working. The National Park Authorities have demonstrated their capacity for grass roots delivery and could provide a valuable service in this respect.

October 2010

Supplementary written evidence from English National Park Authorities Association

Thank you for your letter requesting further information following the presentation of oral evidence to the Select Committee on 10 November 2010. I have set out our response with each of your questions and have also included some additional evidence on local needs affordable housing in National Parks as this was an item that the Select Committee asked about at the hearings.

1. The press has reported that the Government is considering selling off National Nature Reserves. Will this affect land within National Parks, and what impact might this have on hill farmers?

The first point to make is that not all National Nature Reserves (NNRs) are owned by Natural England. In the case of Exmoor National Park, for example, one NNR is owned by the National Trust and the two others by Exmoor National Park Authority, while in the North York Moors National Park, one is owned privately and another by Scarborough Borough Council. None of these will be affected by any sale.

Of those NNRs that are owned by Natural England, it is difficult to generalise about the impact of any sale or disposal as a lot will depend on the current arrangements for managing these areas and the eventual owner/tenant of the land. However, the example of Ingleborough NNR in Yorkshire Dales National Park suggests that in some cases hill farmers might benefit.

Ingleborough NNR covers 1,014 ha and has five or six graziers. At the current time, some of the graziers on the NNR have insufficient term of tenancy to enable them to enter Environmental Stewardship (ES). This is because land owned by Government departments, executive agencies and NDPBs is ineligible for ES unless the grazier has sufficient tenure for the term of the agreement. In addition, the grazier is ineligible if the work required as part of the ES agreement is already required as part of the tenancy with the public body. This has become a more significant issue since the launch of UELS to replace HFA as it means that graziers on the NNR cannot claim UELS when they used to be able to claim HFA. Therefore, transfer of the NNR to another owner, who is not a public body, may have benefits to the graziers, unless that owner chooses to claim the ES payments themselves, or decides to farm the land themselves rather than the current graziers.

2. You described a Lake District tourist tax scheme—could you provide more detail on this and the other voluntary schemes used in other Parks?

Examples of a number of tourism contribution schemes that operate in National Parks are set out in Appendix 1. These are all voluntary contribution schemes and not tax schemes. There are no powers that would allow any “tourism tax” to be levied and, in effect, visitors to National Parks, other upland areas and the wider countryside already contribute to the management of these areas through general taxation.

In the majority of cases the experience of running visitor contribution programmes is that they do serve to raise public awareness of conservation objectives but do not provide substantial financial returns when account is taken of the costs of running the schemes.

3. Your evidence expressed a preference to develop a new approach to CAP payments, rather than broadening income foregone. What specific ideas do you have for this, bearing in mind the WTO regulations on payments under environmental programmes?

Firstly, we do feel that there will continue to be the need to include the consideration of income forgone when asking for some management options. If the payment offered does not make business sense then farmers will not adopt them unless the payments recognise that cost. However, in other cases we believe that greater consideration needs to be given to an incentive scheme that recognises public benefits or services delivered.

Examples might include payments from water companies to improve resource protection where there is an economic “driver” for environmental management. However, that will not apply everywhere and we do recognise the complexity of placing a financial value on some of the less tangible benefits.

This need not necessarily be insurmountable. We understand that the EU regulations already allow for the cost of delivery to be included in payment calculations and we believe that more use could be made of this provision. We haven’t seen the Environmental Stewardship (ES) payment calculations but assume that the approach is already incorporated in some of the ES measures. For example, if a feature is valued, such as a drystone wall, it is acknowledged that there is a cost for its maintenance. The payment reflects that cost and is a positive reward for the farmer’s effort. It also incorporates the concept of reward for results rather than following prescriptions, which we believe we could apply in other circumstances. For example, farmers might receive a reward based on the condition of SSSI habitat that they manage with a higher payment for more favourable condition.

4. *How does the implementation of UELS affect National Parks Authorities' ability to fulfil their statutory objective to conserve and enhance the environment?*

We consider that the UELS is valuable in assisting with our ability to deliver the conservation purpose of National Park designation. It usefully extends the ELS options and helps to protect valuable features and habitats. It is also of value in supporting the retention of cattle grazing in the hills.

However, there is still a "gap" between the provisions available in the combined ELS and UELS compared to those available in Higher Level Stewardship (HLS). Currently, ELS and UELS do not make provision for capital grants for specific works or more detailed habitat management where there is existing environmental value but not sufficient to enable a farmer to enter into a full Higher Level Stewardship agreement. An example is provided by those farms on Exmoor that used to participate in the Environmentally Sensitive Areas (ESA) scheme and who can make the transition to ELS and UELS but are unlikely to be able to join HLS. While in the ESA there were capital grants available for environmental management and landscape management schemes such as hedge restoration that will not be fundable at the same scale under ES.

In addition, in many National Parks, National Park Authority officers are directly involved in delivering advice to potential UELS applicants (on behalf of Natural England), which provides the opportunity to raise awareness of the value of environmental assets that the farm contains and to signpost farmers to other schemes and opportunities.

5. *Do you think there is a case for rationalising public support to fewer uplands farmers in the most valued areas, given budgetary constraints?*

— *What criteria could be used to define these areas?*

We are of the view that there is a case for rationalising support in other parts of the country so that support was concentrated on upland farmers rather than seeking to support fewer upland farmers. Uplands in general, and National Parks in particular, have the highest value in terms of the combination of semi-natural habitats; historic environment; landscape and public access/visitors, so providing maximum value for money for the taxpayer.

To sustain the public benefits that uplands provide requires an ability to support the wider farming economy and community across whole upland areas. For example, the more productive farmland alongside the semi-natural moor and heathland habitats together provides the variety and sense of a working and living landscapes that visitors most appreciate.

The current Higher Level Stewardship schemes already provide an element of targeting and prioritisation and already means that some upland farms receive considerably more financial support than others. All farms in the uplands are subject to similar constraints on productivity and diversification opportunities compared to lowland farms, and sustaining farming communities in upland areas will continue to require financial support that recognises these constraints.

6. *Could you provide further evidence to support your assertion that headage payments led to overgrazing?*

Please see Appendix 2.

Local needs affordable housing

During the oral evidence we received a number of questions regarding planning in National Parks and particularly the provision of affordable housing to help meet local need. All National Park Authorities give a high priority to enabling local needs housing provision within their planning policies. National Park Authorities have responded to indicate the numbers of local needs houses approved in their respective National Parks over the past four years as follows:

<i>National Park</i>	<i>Number of affordable/local needs homes receiving planning consent from 2006–10</i>
Exmoor	62 since 1 January 2006 plus 15 awaiting completion of Section 106 agreements
Lake District	227 since April 2005 plus 15 awaiting Section 106 agreements
North York Moors	98 since April 2005
Northumberland	1 since March 2009 plus 3 awaiting Section 106 agreements
Yorkshire Dales	11 recent permissions plus 54 completions of homes approved before 2006

Ultimately, planning policy is one of several factors that affect the provision of housing as reflected in the Commission for Rural Communities report “High ground, high potential” page 38, and all National Park Authorities take a proactive approach to working alongside Housing Authorities and Homes & Communities Agency to address local housing need.

November 2010

APPENDIX 1

VISITOR CONTRIBUTION SCHEMES IN NATIONAL PARKS

LAKE DISTRICT—NURTURE LAKELAND

The following information is taken from the Nuture Lakeland website www.nuturelakeland.org.

“Nuture Lakeland is charitable trust that operates a ‘Visitor Payback’ scheme that encourages visitors to voluntarily support conservation by donating a very small amount of money via their bill or fees.

The project operates by recruiting tourism related businesses to become members of Nuture Lakeland. The membership is made up of a large number of hotels and guest houses of all sizes, caravan parks, holiday cottage companies and a broad spread of tourism related businesses, such as design companies, transport companies and retailers. Once businesses are members of Nuture, they pledge to raise money for a chosen conservation project.

A number of fundraising techniques are used including:

Opt Out: Businesses, typically hotels, add a small amount, usually just £1 to the customer’s bill. The customer then has the option to “opt out of this payment, by crossing it off or un-ticking the box. The English Lakes Hotels group has to date raised a total of £81,000 as a result of a £1 opt out on customers’ bills.

Match Funding: Some member businesses are also prepared to ‘match fund’ the monies raised by opt out, and some even double this.

Donations: Collection boxes are still used although they don’t bring in large amounts. More successfully, Nuture Lakeland has recently started giving hotels donation envelopes which they put in guests rooms with their welcome pack.

Sponsored products: Some organisations have identified a product they can sell where either all or part of the revenue is passed on to Nuture Lakeland.

Benefits both ways: A small 10p levy on the price of the Ullswater Steamer’s ticket has to date brought in £20,000 for conservation work around the Ullswater Lake. This has been used to fund path repair work on the popular Howtown to Glenridding trail. There is benefit both ways from this work; benefit to walkers, who have a well maintained path to walk on, benefit to Ullswater Steamers who receive good publicity for their support, and a great benefit to the conservation of the lakeshore of Ullswater itself.”

The website indicates that more than £1.5 million has been raised for conservation projects in the Lake District over the past ten years and that the scheme is the largest Visitor Payback scheme in Europe. However, we do not have information on the proportion of income that is received from visitor donations compared to grants and other sources, or how the income from visitors compares to the costs of running this element of the scheme.

EXMOOR NATIONAL PARK—CAREMOOR FOR EXMOOR

In Exmoor National Park voluntary contributions are sought from visitors to contribute a range of conservation and access projects. Sources of funding include:

- Proceeds from events: eg from participants at Exmoor National Park Authority guided walks and activities.
- Percentage of ticket/entry fees such as Exmoor Challenge (organised by Rotary Club for Exmoor); Lynmouth Harbour Boat Trips; Exmoor Explorer Mountain Bike Event (Team Zoyland); North Devon and Exmoor Walking festival.
- Royalties from some publications.
- Collection boxes.

Typical annual income from the scheme is currently around £5,000.

NORTHUMBERLAND NATIONAL PARK—GOOD NATURE FUND

The Good Nature Fund is currently managed through a semi-autonomous group called the Northumberland National Park Environment Association, see:
<http://www.northumberlandnationalpark.org.uk/grantsandsupportgoodnaturefund>.

Contributions are gathered from a number of sources notably:

- Donations from businesses.

- Donations from % of profits from sales of publications, photographs, etc linked to NPA supported projects.
- Donations made by visitors at our Centres.
- Donations made by visitors using re-usable trail guides from village centres, eg Elsdon Village Trails.

The Environment Association is responsible for allocating the funds, either to add value to other grant funded projects or for stand-alone projects. The mechanism for this allocation process is currently being reviewed by the Association. Once this is clarified and agreed, we will promote the scheme more widely. The value of donations currently held in the Environment Association account is around £4,500.

As with other similar schemes, the benefit of this scheme is more about awareness and education, than generating income.

YORKSHIRE DALES—THREE PEAKS PROJECT

The Three Peaks Project was launched in April 2009 and aims to ensure that the three Peaks (Ingleborough; Pen-y-ghent; Whernside) area, which is one of the most heavily-used rights of way networks in the country, is maintained and improved in the long term by:

- generating a sustainable income to help pay for its management;
- creating new opportunities for businesses, groups and visitors;
- promoting understanding of the area's special qualities; and
- encouraging people to help look after the area.

The project gives users of the network the chance to support the area and the work of the Authority by raising money for it. This can be by:

- asking participants in sponsored events like charity walks to donate part of their entry fee to the project;
- providing merchandise to celebrate walking one, two or all of the peaks (whether in one go or over an extended period);
- joining the Friends of the Three Peaks; and
- building business and community interest in the area that will help support it.

A number of major charities like the NSPCC and Heart Research UK are using the Three Peaks area to raise money for their causes this year and have already pledged their support for the project. They will be donating cash to be used directly in the upkeep of the Three Peaks path network.

Three Peaks has raised £19,000 since summer 2009.

Also worth noting is the visitor contribution scheme being operated by the Yorkshire Dales Millennium Trust. Further details are at: Yorkshire Dales Millennium Trust. The money raised goes to support environmental, economic and social projects in the Dales. "Donate to the Dales" generally raises £20,000–£30,000 per year from a combination of individual donations and corporate donations.

APPENDIX 2

FURTHER EVIDENCE REGARDING HEADAGE PAYMENTS AND OVERGRAZING

BACKGROUND

The two headage support measures which significantly influenced livestock farming in the uplands between the mid 1970s and 2003 were the Hill Livestock Compensatory Allowance (HLCA) and the Sheep Annual Premium (SAP).

The HLCA was introduced in 1976 with 25% of the funding from the European Agricultural Guidance and Guarantee Fund. The HLCA was not conceived as a production subsidy. Its purpose was to provide compensation for the additional costs of production in the hills, to keep farmers in the less favoured areas and to support the conservation of the countryside.¹ However its method of delivery was as a payment per ewe. The HLCA did limit the number of stock for which support could be claimed, in the case of ewes this was to a maximum of six per hectare but this limit is clearly beyond the normally accepted environmental limit for moorland of two ewes per hectare.

The SAP was introduced in 1981 as a payment per ewe. A limit on the number of sheep for which support could be claimed was introduced in 1989 and quotas introduced in 1993, using 1990 as the reference year.² However the support had already significantly increased the trend towards higher stocking which was started by the introduction of the HLCA. Quotas effectively stabilised the overall ewe numbers but at a much higher level than in 1976 (see graph).

The value of the combined HLCA and SAP payments increased significantly over time. For example, from £12.30 per ewe in 1989–90 to £43.50 in 1999–2000. This corresponded with a drop in value of the produce (breeding ewes, lambs and wool). By 1999–2000 the average gross margin (income after variable costs) per ewe on hill farms in Yorkshire was £23.70 compared with £31.90 in 1989–90.³ The economic viability of hill flocks had therefore largely become a factor of the numbers kept.

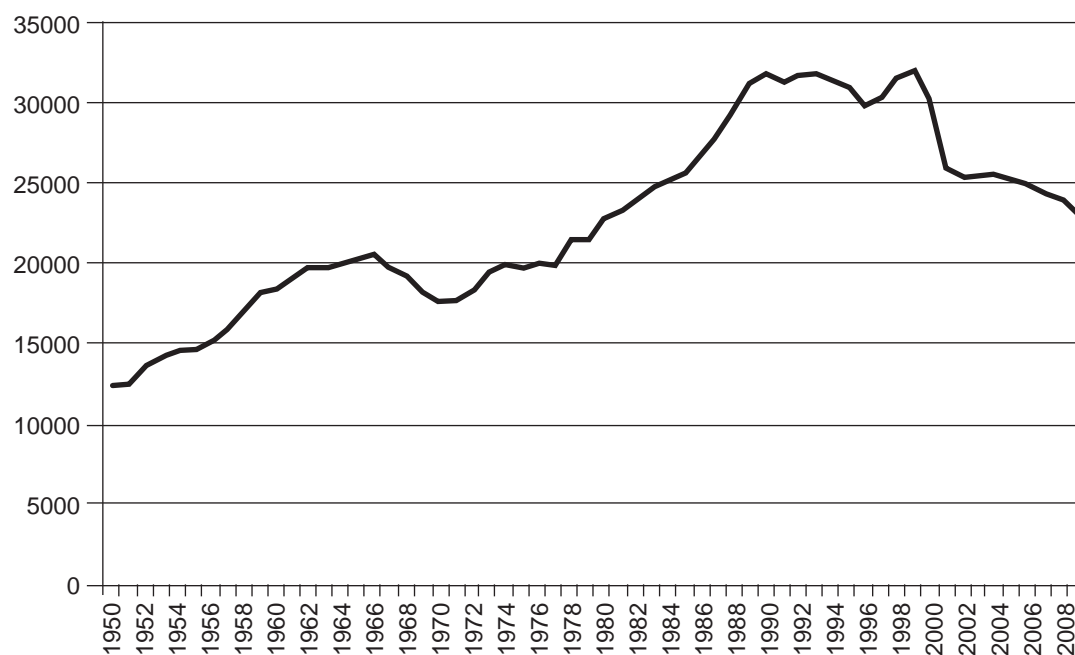
IMPACTS ON LIVESTOCK NUMBERS

The importance of headage support to the overall economy of hill farming encouraged higher stocking rates and the rise in stock numbers is well documented. Indeed farmers accepted the need to “play the numbers game”.⁴ The number of breeding ewes in Less Favoured Areas in England increased by around 35% between 1980 and 2000.⁵ Some areas saw significantly larger increases, such as a 55% increase in sheep numbers in the North Pennines between 1975 and 1994.⁶ This increase inevitably affected moorland rough grazing with the area of English and Welsh moorland rough grazing stocked at over two ewes to the hectare (the nominal sustainable limit) increasing from 27% in 1977 to 71% in 1989.⁷

The link between economic viability and headage also led to changes in farming practice, such as an increase in out-wintering on hill areas which increased problems of overgrazing and localised poaching of the ground.⁸

GRAPH SHOWING CHANGE IN LIVESTOCK NUMBER

Sheep and lamb numbers in England & Wales



Source: Agricultural Census data taken from Table 18.2 “A hundred years of British Food & Farming” until 1983, and from each UK agriculture department from 1984 onwards

THE LINK TO OVERGRAZING

Numerous reports and research documents draw a direct link between the economic pressure on farmers to keep more stock and overgrazing in the uplands. For example, see ^{5, 6, 8, 9, 10, and 14}. MAFF developed a definition of overgrazing as:

“the result of environmentally unsustainable livestock practice brought about through overstocking so that the growth, quality and species composition of vegetation is adversely affected”.

Controls were introduced between 1992 and 1994 as a result of concern about the effect of the schemes on grazing levels.¹⁵ Subsidy payments became conditional on not contravening the overgrazing “rules” and contravention could lead to withholding subsidies. It is true that subsidies were withheld or reduced in only a limited number of cases, although the total number of cases investigated was much higher. By the end of 2005, 151 (92,400 ha) cases had been investigated with 64 (13,000 ha) still open. Sixty-three closed cases (45,000 ha) had gone into either the Countryside Stewardship Scheme or Environmentally Sensitive Area agreements, with additional ones in the Wildlife Enhancement Scheme.¹⁶

In 1993 the then Minister of Agriculture, John Gummer, launched proposals for a series of new environmental schemes. These included the Moorland Scheme which recognised:

“a priority environmental concern for the livestock sector and for the uplands in particular is the need to extend the steps already taken to reduce overgrazing of important habitats, particularly moorland”.¹¹

The levels of stocking in the uplands, driven by support based on headage, had led to the need for a national scheme aimed at reducing stock numbers.

TRENDS POST DECOUPLING

The decoupling of support from livestock headage to area payment has resulted in a national decline in ewe numbers. In some areas this had led to a virtual de-stocking of some uplands and this is of concern. However, the availability of the Environmental Stewardship Schemes has meant that hill flocks and cattle have been retained in many areas and there is evidence that farmers consider that these schemes have been successful in addressing overgrazing and that heather is recovering.¹² This view is supported by more recent assessments of both upland SSSIs and the LFA generally.¹³

For the future it is important that the right mix and level of grazing is supported so as to deliver the range of goods and services for which the uplands are so important. Ultimately, the required stocking type and density to achieve ideal management will depend on the place. Local knowledge and flexibility are therefore important. Food production will continue to be important but so is water, carbon, wildlife, landscape etc. The challenge is to find ways that help to keep farmers on the hill, managing the land positively so that their management is both economically viable and environmentally sustainable.

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Supplementary written submission from the Commission for Rural Communities

The CRC has now had the chance to review your questions and the following is our best response.

CAP regime should be better targeted towards upland farmers because of the critical importance of the public goods that they supply to the rest of the nation.

As shown in our report, the economic viability of upland farmers is not sustainable (and is even difficult with diversification). The benefits enjoyed by the nation from the efforts of upland farmers can only be continued if they are properly rewarded for the environmental, social and cultural benefits which they supply. In lowland areas, where there is a viable economic market, such benefits may well be supplied through better targeted regulation—but this is not an option for upland farms. Therefore, while controversial we advocate that CAP funding should be “moved up the hill”.

The IEEP report (below) shows how other countries pay higher rates per ha than we do—especially Austria, Belgium and Malta.

The IEEP report on the different ways in which LFA payments are calculated in different member states is from the LFA evaluation IEEP carried out in 2005–06. There is a chapter on payments which can be found at: http://ec.europa.eu/agriculture/eval/reports/lfa/index_en.htm

Assuming we continue for the foreseeable future with a CAP with 2 Pillars: there will need to be a more equitable formula for distributing the income support payment through Pillar 1 (ie payment based predominantly on land area is inequitable as areas of greatest natural constraints are dominated by smaller, often family-run farms); and Pillar 2 measures must be delivered through an integrated strategic framework with rural communities truly empowered to prioritise and innovate as a consequence of reduced regulation and red tape currently associated with the RDPE. Incentives should target areas of greatest potential for a range of public benefits, recognising that biodiversity goals cannot be achieved without viable communities.

There are top slicing opportunities within Article 38, which other countries have also adopted—however we did not look at this in any detail.

Communication of any change to CAP funding remains a critical issue—being able to have material and support which is easily accessible (ie not a pure IT/Broadband solution) and speaks the right language with credibility is crucial to take up and effective targeting. Use of networks, advice and access centre should be carefully considered.

On your specific LFA questions we have no more to say—I am afraid we have not looked at the biophysical LFA indicators and their effect on categorisation nor whether LFA payments encourage or discourage innovation.

In terms of research outcomes and good practice availability—there are three main issues:

1. Current research—Dr Burgess mentioned the research of Nottingham University and carbon capacity. This was one of many Universities who have received research grants to consider carbon implications—and from different Government Departments. As we say in our report we would strongly support a much more co-ordinated approach to this investment in research (not just in carbon, but in other key issues), across government departments—so that DECC, Natural England and Defra could target limited resources much more effectively.
2. We also state that there is a need to combine the academic and expert knowledge with local wisdom and knowledge—this can be done effectively at the local level and we draw attention to some of these good examples within our report—but it takes time and effort (and investment!)
3. Upland farming techniques, research and development have not had the same level of attention or investment as other farming—we would welcome the idea of a college or university (preferably in an upland area) being supported (maybe by some private /land owner investment) to establish an “uplands chair” so establishing a figure head for the revitalisation and recognition of the importance of upland farming. We also envisage that this could encourage more young people into upland farming as a valued profession/specialism and so help to overcome some of the thorny issues of succession.

I am also afraid that I have been unable to track down the report on housing within National Parks—so I am unable to send you a copy.

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