



**Isle of Man**  
Government

*Reiltys Ellan Vannin*

# Consultation on Amendments to the Countryside Care Scheme for Scheme year 2015 onwards



**Department of Environment, Food and Agriculture**  
*Rheynn Chymmlltaght, Bee as Eirinys*

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# Contents

MINISTER'S INTRODUCTION	3
1 BACKGROUND TO PROPOSED AMENDMENTS	5
2 SUMMARY OF PROPOSED AMENDMENTS	6
3 PROPOSED AMENDMENTS	8
3.1 Minimum claim size	8
3.2 Maximum Payment Cap	10
3.3 Funds should be used to assist innovative agricultural production	12
3.4 Redistributive payments (front loading)	14
3.5 Re introduce 'coupled' support	16
3.6 Discouraging exports of livestock	18
3.6.1 Throughput	18
3.6.2 Price equivalency	20
3.7 Land classification	21
3.8 Introduction of 'active farmer' definition	22
3.9 5 year extension to the CCS	25
3.10 Change of Scheme Name	26
3.11 Eligibility of orchards	26
3.12 Future considerations	27
4 RESPONSE BY CONSULTEES	28
5 CONSULTATION RESPONSE PRO-FORMA	29
6 APPENDIX 1 - LIST OF CONSULTEES	32
7 APPENDIX 2	33

## **MINISTER'S INTRODUCTION**

Hon. Richard Ronan, MHK, Department of Environment, Food and Agriculture

This consultation document has been written largely in response to Tynwald's Environment and Infrastructure Policy Review Committee's (EIPRC) report on agricultural policy, which was completed in June 2014. The consultation also considers some additional recommendations that were proposed when the report was laid before Tynwald in October. I am glad to see that the Committee recognizes the value of the scheme and support its continuation and I welcome the opportunity to consider these recommendations for amendment.

I would like to thank the Honorable Member Mr. Butt MLC and his committee for producing this report and my predecessor, the Honorable Mr. Gawne MHK for his contributions to the proceedings and reforming the Industry Advisory Committee (IAC) in a timely fashion to allow consideration of the report.

IAC was originally set up to help in the creation of the Countryside Care Scheme (CCS). The Department used a re-established IAC (who are a group of industry representatives from the MNFU, Isle of Man Meats, Isle of Man Creamery, Laxey Glen Mills and the Agricultural Marketing Society plus any additional specialist advice required) to look at the proposals of the EIPRC and to identify any other areas of the scheme that might be amended to better improve the functioning of the scheme. When considering any amendment to the Scheme, I have asked the committee that they are particularly mindful that that the last decade has seen Manx Agriculture faced with some significant new challenges and a period of relative stability in support arrangements is important for the industry. This stability should allow farmers to focus on evolving their businesses to meet the needs of the market, whilst confident of our support arrangements.

The withdrawal of the EU redmeat derogation in 2010 is arguably the biggest change the industry has had to face and we are without a doubt still adjusting to increased competition which the derogation's removal has allowed. Despite the introduction of the CCS being a conscious response to the knowledge that the derogation would be removed, the Scheme is often blamed for the inevitable changes that followed the loss of the derogation and care must be taken to identify the root cause of problems before automatically attributing them to the CCS.

Despite my reluctance for major change in support arrangements, I do recognize that a universal scheme such as the CCS can never be perfect. I would welcome alterations that could materially improve its effectiveness, including improved transparency on how and where agricultural funding is spent. However, I am keen to look to the future and start devoting the Departments resources to

developing a profitable and sustainable food industry as laid out in the Tynwald supported 'Food Matters' Strategy, rather than risk distraction by tinkering with a reasonably functional scheme.

IAC have therefore considered carefully the implications of each and every proposal in this consultation to ensure that any changes achieve a real improvement in the operation of the scheme and its delivery to farmers and our views are laid out in this consultation.

I would encourage you to participate in the consultation to ensure we hear representative and balanced views of the whole industry and look forward to hearing your views.

## **1 BACKGROUND TO PROPOSED AMENDMENTS**

The basis of the Countryside Care Scheme was outlined in the document 'Developing a Reliable, Sustainable, Self Reliant Manx Agriculture'.

[http://www.gov.im/media/725897/developing\\_a\\_reliable\\_sustainable\\_self\\_reliant\\_manx\\_agriculture.pdf](http://www.gov.im/media/725897/developing_a_reliable_sustainable_self_reliant_manx_agriculture.pdf)

That document states 'Our vision':

"to achieve a reliable, sustainable and self-reliant Manx food chain that profitably produces a diverse range of products and staple foods to feed the Manx nation, whilst continuing to protect and enhance the Island's landscape and natural heritage.

This industry shall offer opportunities for new entrants by providing a realistic business opportunity and shall allow both co-operative and entrepreneurial behaviour to flourish."

Subsequently, the Countryside Care Scheme (2009) was introduced with the following stated objective;

'this Scheme is to create a credible, practical and effective decoupled support Scheme as the foundation for a thriving, diverse Manx agricultural industry whilst protecting the Isle of Man's landscape and natural heritage and maintaining its productive capacity'.

Questions regarding the efficacy of the CCS were raised in Tynwald in May 2013 where the following was resolved

'That the matter of current agricultural policy, particularly in respect of the Countryside Care Scheme, the meat plant and associated matters, be referred to the Environment and Infrastructure Committee to report by December 2013'.

The report produced by the EIPRC following this investigation can be found using the link below. The report was subsequently debated in Tynwald in October 2014.

<http://www.tynwald.org.im/business/opqp/sittings/20112014/2014-PP-0014.pdf>

In the light of the recommendations made by EIPRC and the subsequent debate in Tynwald the Industry Advisory Committee (IAC), a representative body of agricultural organisations convened by the Department have recommended that the Department proposes a number of amendments to the Countryside Care Scheme (2009) which are intended to improve the targeting and effectiveness of the Scheme.

Therefore the Department is inviting responses from members of the public on the proposals, tabulated overleaf which are considered in more detail in Section 3.

## 2 SUMMARY OF PROPOSED AMENDMENTS

	<b>AMENDMENT</b>	<b>SOURCE</b>	<b>CONSULTATION PROPOSAL</b>
3.1	The minimum area of eligible land required for a valid claim under CCS to be reviewed	EIPRC (& TYNWALD AMENDMENT)	Suggests that the existing 20 acre minimum claim size is considered appropriate with respect to average farm size being greater than 200 acres. No further action is proposed.
3.2	The maximum payment made under CCS to be capped at £50,000	EIPRC	A proposal to implement a £160,000 cap. Broadly in line with neighbouring jurisdictions.
3.3	Funds from the CCS budget should be used to assist innovative agricultural production systems and produce	EIPRC (& TYWNALD AMENDMENT)	Proposes that the Food Strategy approved by Tynwald in November 2014 addresses this.
3.4	Provision should be made within the scheme whereby flat rate payments are made as banded payments with lower acreages attracting higher payments	EIPRC	This has been modelled and the benefits perceived to be too marginal to implement. No further action is proposed.
3.5	The Department should now consider utilising the Scottish model for coupled support to Beef, Sheep and Cereal Producers but that such support should be no more than 50% of the farm support payment	TYNWALD AMENDMENT	This has been considered and deemed to be inequitable for other parts of the agriculture industry and not in keeping with the policy of 'decoupled' support. No further action is proposed.
3.6.1	Legislative action to discourage exports of livestock	EIPRC	This has been considered and deemed to be in contravention with Protocol 3. No further action is proposed.
3.6.2	Delivery of 'equivalency'	TYNWALD AMENDMENT	Requires further work prior to reaching a conclusion. Work on providing a

			definition and methods of delivery to be completed by IAC next year.
3.7	The number of land classes used to calculate flat rate CCS payments should be expanded to three	EIPRC	The original decision to adopt a 2 land classification has been reviewed by IAC. The schemes of other jurisdictions have also been reviewed. The current system is assessed as being adequate. No further action is proposed.
3.8	An 'active farmer' requirement shall be added to the eligibility criteria for the CCS	IAC	It is proposed that an active farmer requirement be included in the CCS for Scheme year 2015-16. To ensure payments go to the person gaining beneficial reward through managing the land.
3.9	The flat rate payment system which is in place in the final year of the scheme 2017-18 should be extended for a 5 year period subject to an external review in 2017	EIPRC & IAC ADDITIONS	The Department support the recommendation for a review and additionally proposes that a scheme extension is sought for an additional 5 years with the review taking place in 2017.
3.10	Change of Scheme Name	FOOD STRATEGY & TYWALD AMENDMENT	It is proposed that the Scheme name be amended to the 'Countryside Care and Food Business Scheme' to better reflect the purpose of agricultural support.
3.11	Eligibility of orchards	IAC	It is proposed that orchards are included in the definition of eligible land in the CCS to encourage on farm diversification.

### **3 PROPOSED AMENDMENTS**

#### **3.1 Minimum claim size**

*EIPRC Recommendation 1: The Countryside Care Scheme does not favour smaller intensive farming methods and this needs to be addressed given the size of the Isle of Man and The Department should consider including traditional farms of between 12 and 20 acres in the Countryside Care Scheme.*

Tynwald voted to include consideration of an additional proposal, that the minimum claim size for the CCS is reduced to 3 hectares (7.5) acres to bring the scheme more in line with that of our EU neighbours.

The scheme currently has a minimum claim size of 20 acres; within the EU the minimum claim size for its Agricultural support scheme is currently 1 hectare, approximately 2.5 acres. However the EU has recently reviewed its scheme and minimum claim areas across the EU will range from 3-5 hectares, 7.5 -12.5 acres.

#### **Benefits to reducing minimum claim size**

- Smaller, possibly more intensive, farms would receive support.
- Smaller farms which have been receiving 'historic' support would continue to be supported.
- Supports smaller farms which are an integral component of the Manx countryside.
- More land would come under the umbrella of the protection CCS affords through cross compliance and GAEC's. Important landscape features (Hedges, walls heritage sites would gain additional protection).

#### **Risks of reducing minimum claim size**

- Reducing the minimum acreage requirement would open the scheme up to an unknown number of 'new' claimants and hence increase the administrative burden of the Scheme to the Department.
- There could be an increase in the total area of land claimed under the Scheme which could reduce the flat rate payment per acre.
- Would be supporting lifestyle activities which was identified by EIPRC as undesirable.
- Support would be given to units that are unlikely to be economically viable in their own right reducing the rate of consolidation within the industry.



## **Options**

- 1) Reduce the minimum eligible area required for CCS support to 7.5 acres;
- 2) Reduce the minimum eligible area required for CCS support to 12.5 acres;
- 3) Maintain the scheme as is.

Some members of IAC expressed the view that anyone who had received CCS payment in the past should continue to be eligible whatever the size of their holding. However the majority of the committee felt that treating 'Historic' claimants differently to new entrants to the Scheme was inequitable.

## **Proposal**

It is suggested that with a mean farm size on the Isle of Man of well over 200 acres, and a median farm size of 190 acres, that farms of less than 20 acres are unlikely to be commercially viable.

It is therefore proposed that the minimum claim size remains as is at 20 eligible acres with the current exceptions for intensive businesses remaining in place.

### **3.2 Maximum Payment Cap**

*EIRPC Recommendation 2: The Department should consider capping Countryside Care Scheme payments (the Committee would suggest a figure of £50,000 maximum per annum) so that any money saved should be better used for support of agricultural diversification; strengthening agricultural education and backing sound agricultural business plans.*

EU CAP reform has introduced a minimum 5% reduction on payments of over €150,000 (£120,000) however this excludes 'Greening' payments therefore payments below €200,000 (£160,000) are effectively unaffected. This degressivity is compulsory unless they decide to apply a so-called 'redistributive' payment, whereby at least 5% of the member state's direct aid envelope would be held back, to be redistributed on the 'first' hectares of all recipient farms.

Whilst individual payment caps are at first sight an easy a solution to the 'over-subsidised farmer' concept. Where this has been used in adjacent jurisdictions to for example to cap headage payments to a maximum number of animals; holdings have been split to effectively double the payments received.

To quantify the effect of the proposal, a £50,000 cap would affect 30 claimants, if implemented in the 2014-15 claim year. This number would reduce to 14 once the Scheme becomes fully flat rate at the end of the transition by 2018.

#### **Benefits**

- The Department is seen to be addressing concerns expressed in some circles over the large amount of public money some farm businesses are receiving.
- A fund will be created which can be used to stimulate diversification and the production of goods and services that would help agriculture better meet the demands of its customers and add value to its products.

#### **Risks**

- Within the context of the wider European market (into which a large proportion of Manx produce is sold), a £50,000 cap would appear grossly unfair to larger Manx producers. These larger CCS recipients may also be our more efficient and forward looking farmers who should not be unfairly disadvantaged compared to their European competitors who have a higher cap.
- In practice a flat rate cap may be easily circumvented as businesses can be fragmented to fall below the maximum limit. This would create an additional administrative burden to the Department and industry with no discernible gain for the industry or taxpayer.

#### **Options**

- 1) Implement a payment cap of £50,000;
- 2) Implement a 5% reduction on payments over £160,000 (€200,000) as per the EU standard after greening requirements have been accounted for;

- 3) Implement a full payment cap of £160,000 (€200,000);
- 4) Maintain the Scheme as is.

**Proposal**

In order to prevent potential future high payments that may be in excess of those allowed in Europe it is proposed to implement a cap equivalent to that set within the EU of £160,000.

### **3.3 Funds should be used to assist innovative agricultural production**

*EIPRC Recommendation 3: New agricultural production business ideas, including artisan food producers, which produce a full and sound business plan should be supported in terms of advice and finance by relevant Government Departments and to ensure success the whole business plan should be supported and not just part of it.*

Tynwald voted to include consideration of additional revised proposals relevant to this recommendation:

'that new agricultural production business ideas, including artisan food producers, which produce a full and sound business plan, should be supported by relevant Government Departments and a designated Rural and Agricultural Development Fund.'

'that a new fund of £250,000 be established to support up to 33% of the cost of new business ventures related to agriculture up to a maximum of £25,000'.

#### **Background**

Since its adoption, it was anticipated that the flat rate amount paid under the Countryside Care Scheme would be £85 per acre for BML land. This figure has subsequently been affected by an 8% budget cut introduced to address the overall Government budget shortfall created by the revised UK VAT agreement and is now expected to be around £78.20.

The DEFA food strategy which was debated in Tynwald in November emphasised the need to increase the contribution made by the food industry to the Islands GDP. It acknowledged that the ambitious targets cannot be met solely through the production of traditional agricultural products (livestock and crops) and that there is a need for a fund to be created which can be used to stimulate and encourage the diversification and add value to the range of Manx produced food products currently offered by the industry.

All of these recommendations plus the further amendment proposed by Mr Alf Cannan MHK and accepted by Tynwald for further consideration ('That a new fund of £250,000 be established to support up to 33% of the cost of new business ventures related to agriculture up to a maximum cost of £25,000.') could be met by the creation of a fund from any monies left over from the CCS budget once all eligible acres have been paid at the anticipated rate £78.20 BML and £13.03 AML.

#### **Benefits**

- The formation of new businesses with the associated benefits of extra employment is stimulated.
- Those willing to invest to take their businesses forward are encouraged.
- Adding value to primary products and increasing returns through developments of niche markets.

- A diverse range of novel products are brought to the market place.
- Ensuring the full Agricultural support budget is available to sustain and develop Manx agriculture.
- Isle of Man economy benefits from import substitution and export opportunities.

### **Risks**

- Traditional Agricultural businesses are dis-enfranchised.

### **Options**

- 1) Maintain flat rate payments at the level expected by the industry using any surplus from the budget to stimulate innovative developments within the industry;
- 2) Distribute the available CCS budget in its entirety across all claimants.

### **Proposal**

Any monies left over from the budget once claimants have been paid at this rate (£78.20) will be used to assist in the provision of the Food Business Development fund which will be used for innovative agricultural produce and production systems as laid out in the 'Food Matters' food business development strategy, approved by Tynwald in November 2014. It is anticipated that any funds unused in any Scheme year could be transferred to AFF for use in future years.

Details of the strategy can be found on [www.wheretheyoucan.com/fooddrink](http://www.wheretheyoucan.com/fooddrink)

### 3.4 Redistributive payments (front loading)

*EIRPC Recommendation 4: The Department should consider using the German model for acreage payments, which has a sliding scale per acre for financial support.*

Countries within the EU can use redistribution mechanism, under which they can create payment top-ups of up to 65% of the national/regional average per hectare, to be granted either for a maximum of 30 hectares per holding or a maximum that is equivalent to that country's average farm size.

The table below demonstrates the effect of this proposal on payment rates if the average farm size is used and supplementary payments are £12 for the first 159 acres (two thirds) and £6 for the next 63 acres. **Further examples can be found in Appendix 2.**

The additional payments would be financed by reducing (modulating) all payments by 7.87% this money is then used to make the additional payments. What this means in practice is that a proposed BML flat rate payment of £78.20/acre for would equate to payments of:

- £84.04 for the first 126 acres
- £78.04 for the next 63 acres
- £72.04 for all acres over 189

	Basic flat rate	First 126 acres	Next 63 acres	Acres over 189
BML	£78.20	£84.04	£78.04	£72.04
AML	£13.03	£14.01	£13.01	£12.01

#### Benefits

- Smaller, less intensive farms would see their income increase through payments per acre which could help with their financial viability. The model above would give extra support to producers farming less than 307 acres.
- Smaller units which add to the rural fabric of our culture will receive additional needed support.
- There is an administrative burden placed on businesses by the CCS which it is acknowledged is disproportionately larger for smaller producers. Scheme 'front loading' may address this issue.

## **Risks**

- Businesses may be artificially split into multiple smaller units to maximise payments.
- Smaller claimants with no background in commercial agriculture may be encouraged to apply to the scheme.
- Economically unviable businesses could be artificially kept in business, making it difficult for profitable and innovative farmers to expand their businesses.
- Maximising the income of intensive units through better returns per acre is essential to their survival; this is best achieved through increasing returns from the market not from marginal increases to flat rate payments.
- There will be greater incentive for the occupiers of small units to amalgamate their businesses to reach the minimum threshold thus bringing more land into CCS and reducing the flat rate payment.

## **Options**

- 1) Introduce a system to facilitate redistributive payments;
- 2) Maintain the Scheme as is.

## **Proposal**

Due to the relatively small difference such a system would make to payments (e.g. a 200 acre farm would be £660 better off- see Appendix 2), compared to the administrative burden it would create for both the Department and industry, it is proposed to maintain the Scheme as is.

### 3.5 Re introduce 'coupled' support

Tynwald voted to include consideration of an additional revised proposal, that *'The Department should now consider utilising the Scottish model for coupled support to Beef, Sheep and Cereal Producers but that such support should be no more than 50% of the farm support payment'*

It has been proposed that the CCS is modified to reflect changes in support payments being introduced in Scotland, who have used the ability under the EU CAP to 'partially recouple', up to 8% of the national envelope. These proposed Scottish payments are outlined below and are primarily aimed at encouraging farming to continue in remote areas. They are also subject to a budget cap related to the number of such stock reared in the previous Scheme year.

#### Scottish Beef payments

- Mainland €100/head on 75% beef calves @ 30 days of age
- Islands €160/head on 75% beef calves @ 30 days of age

If this re coupling had been in place this year it has been calculated (6,132 calves @ £80), that funding for such a Scheme at the € 100 rate would have resulted in payment being modulated by £490,560, or 7.6% of the Scheme payment rate.

Or at €160 £128/head modulation £784,896 12.23% of the Scheme payment rate.

#### Scottish sheep payments

Out of the 3 land classifications which are used in Scotland there is only one that would attract a sheep payment:

- Lowland €220/ha
- Upland €35/ha
- Upland rough grazing €10/ha plus €25/ewe @ 1 ewe/ha

This headage payment on sheep is basically an incentive to keep sheep in upland areas and therefore help keeping people living and farming in these remote areas. It is also associated with a lower area payment than other upland areas, and is less than the 'Above the Mountain Line' payment in the Isle of Man.

In addition, eligibility for the upland grazing headage payment in Scotland is restricted to claimants having an area of BML land < 200 acres. Using a similar criteria under CCS would render all current applicants to the Scheme ineligible. Therefore there is no perceived reason to consider this aspect of recoupled payments.



## **Cereal payments**

There is no partial recoupling of cereal proposed in Scotland. Therefore there is no perceived reason to consider this aspect of recoupled payments, acknowledging the CCS payment per acre is similar to coupled cereal payment levels.

### **Benefits**

- Intensive units tend to be smaller than average, and maximising their income through better returns per acre is essential to their survival. The model above would give extra support to intensive beef producers.

### **Risks**

- Economically unviable businesses could be artificially kept in business, making it difficult for profitable and innovative farmers to expand their businesses.
- Farming businesses could lose focus on market returns, which form the majority of their income if they change their business to target subsidy payments.

### **Options**

- 1) Introduce an amendment to the Scheme to partially recouple beef production;
- 2) Maintain the Scheme as is.

## **Proposal**

It is not proposed to introduce any form of recoupling to the Countryside Care Scheme. The majority of IAC representatives are opposed to any element of recoupled support as it is counter to the 2008 Vision for Agriculture which focusses on encouraging producers to seek to maximise their returns from the market place which is in line with European Agricultural Policy. It was also considered inequitable to consider recoupling for only one part of the industry, particularly as it would be funded from the wider farming industry. It was also noted that the main reason for this recoupling was to provide environmental benefits through grazing and to encourage the continuation of farming in remote areas. It was agreed that current cross-compliance measures were sufficient to ensure that land is maintained in good condition. In addition, recent statistics show steady supply of beef animals, and a recent producer survey published by Isle of Man Meats suggests that producer confidence is good, with intentions to continue to supply similar numbers of animals over the next 3 years, subject to market conditions remaining at least where they are at present.

### **3.6 Discouraging exports of livestock**

*EIPRC Recommendation 5: To ensure throughput at the Isle of Man Meat Plant is maintained or increased the Department should find a means of disincentivising the export of live animals.*

Tynwald voted to include consideration of an additional revised proposal, 'that price equivalency in maintained at the Meat Plant'.

#### **3.6.1 Throughput**

Until 2009 headage was only paid on livestock going into the Meat Plant, thus discouraging live export. Since the start of CCS, the final destination of livestock has largely been the choice of the farmer. The loss of the red meat derogation in 2010 has placed the emphasis on the Meat Plant on getting profitable returns from the market rather than throughput per se. The loss of the derogation by definition exposed IoMM's to competition in its traditionally profitable home market. The levels of export are largely dependent on the price paid by the Isle of Man Meats for livestock.

Action that would encourage throughput/discourage the export of livestock could be the re-introduction of headage payments or increasing the cost of exportation licences, but would be subject to EU obligations associated with free trade.

However, a clarification of the costs and a precise definition of equivalency would first need to be identified.

#### **Benefits**

- Throughput to the abattoir may be maintained or increased, at least in the short term.

#### **Risks**

- Government could be unintentionally re-establishing a monopoly situation for Isle of Man Meats.
- If the dis-incentivisation of exports was achieved through the re-introduction of headage type payments the government could in effect become the customer and producers would become disconnected from the requirements of the market (loss of market focus).
- The Government would risk legal challenge from the EU if such action was achieved through legislation or unique re-coupling due to the trading and state aid obligations of Protocol 3.

- IoMM's would be faced with accepting supplies of stock for which it hasn't got a market, thus potentially reducing the amount it is able to pay its suppliers.
- Regulation and administrative procedures would add to the costs of running the Department, IoMM's and the agricultural industry.
- Growing export businesses of high quality breeding stock could be damaged.
- The benefits of free market trade on the business would be eroded. Free market trade has evolved since derogation as evidenced by recent examples of increased numbers of food businesses producing a more diverse range of products.

### **Options**

- 1) Re introduce targeted headage payments
- 2) Introduce prohibitive export fees
- 3) Maintain the status quo

### **Proposal**

Due to the requirement to adhere to Protocol 3 and the risks associated with upsetting farm business focus through interfering with market signals it is proposed that no action will be taken to address this recommendation.

### **3.6.2 Price equivalency**

The price paid to farmers is currently based on a fixed percentage of a published UK gross price from England (92% for sheep and beef) and is therefore not always perceived to be 'equivalent'. However this quoted UK price does not take into account any deductions for insurance, marketing, inspections etc., and importantly, nor does it consider other regional variations e.g. Northern Ireland, where the price is usually lower, reflecting the additional costs associated with export to Britain.

Some of the reasons that the Isle of Man Meat's cannot deliver a higher price are associated with the additional costs of operating a small, three species plant on an island with higher overheads. Some of these issues are currently being addressed through modernisation of the plant (currently undergoing a £2 million refurbishment). However, UK meat plants tend to specialise in processing particular types of animals that are bought at market, thus improving efficiency and having a defined product (and market) through a uniform product. Isle of Man Meats deals with a wide variation in throughput by necessity as it is the only abattoir on the Island and will therefore have a degree of inefficiency that cannot be addressed.

Whilst it is still not clearly defined, in order to deliver 'equivalency', a number of funding options could be considered;

- Modulation of the CCS to subsidise IoMM's - effectively a headage payment;
- Continued reductions in CCS payments in-line with the EU and utilisation of the remaining budget to the meat plant;
- Apply to Treasury for additional funds.

### **Proposal**

In acknowledgement that there is insufficient information to propose any changes for next scheme year, IAC have suggested that further work is undertaken with Treasury and Isle of Man Meat's to look at further options regarding the definition and source of comparisons, then if appropriate, a change to the current calculation of payments, whilst recognising the financial and legal constraints that exist.

### **3.7 Land classification**

*EIPRC Recommendation 8: The Department should investigate the feasibility of moving from the current two tier land type payment to a three tier land type for acreage payment.*

The EIPRC recommended a third land classification to take account of intensive production. The current 2 tier system has proved relatively simple to administer and is comparable to that of adjacent jurisdictions, indeed England has reduced the number of land classes it uses for agricultural support purposes.

#### **Benefits**

- Additional land classes could more accurately reflect land capability.

#### **Risks**

- Creating a third classification would be expensive and time consuming.
- Increased compliance costs, administration and inspection burden for DEFA and the industry.

#### **Options**

- 1) Create a third land class;
- 2) Maintain the Scheme as is.

#### **Proposal**

A third land-class was considered prior to the introduction of the Scheme. However, due to the additional complexity associated with increasing land classes and the satisfactory functioning of the 2 classification system, this was felt to be sufficient. Due to the high costs associated with reclassifying land and the previous experience of IAC and the Department, it is proposed to leave the current classification unaltered.

### 3.8 Introduction of 'active farmer' definition

In recognition of the changes to EU single farm payment schemes, IAC have been considering introducing an 'active farmer' requirement for scheme eligibility.

Parallel to this, Tynwald voted to include consideration of an additional revised proposal, *'that the Department reassess rules and regulations in respect of qualification for the scheme, studying the current initiatives in Scotland and Northern Ireland to ensure that funds are directed to active farmers'*

The EU has acknowledged the issues surrounding the definition of active farmers and has developed a definition of active farmer that member states are interpreting for their own situation. The Countryside Care Scheme currently doesn't have a definition of an 'active farmer' and there is no requirement within the scheme for a claimant to be an 'active farmer'. This issue has come to the fore with the realisation within the industry that there is no requirement within the CCS flat rate payment period for claimants to hold entitlements or be involved in agriculture, and that anyone meeting the eligibility criteria of the scheme (holding 20 acres and meeting cross-compliance) would be eligible to receive a flat rate payment even if they were not involved in agriculture or food production. This is intended to ensure that funding is targeted at the people involved in managing the land rather than landlords and landowners that do not actively manage land. It is proposed to develop criteria to implement an active farmer definition for the Isle of Man which would involve evidencing agricultural activity, for example through the provision of sales and purchase receipts with the annual CCS application.

The EU defines agricultural activity as:

- (i) the production, rearing or growing of agricultural products, including harvesting, milking, breeding animals, and keeping animals for farming purposes,
- (ii) maintaining an agricultural area in a state which makes it suitable for grazing or cultivation without preparatory action going beyond usual agricultural methods and machinery.
- (iii) carrying out a minimum activity, defined by Member States, on agricultural areas naturally kept in a state suitable for grazing or cultivation.

Options for assessing active farmer criteria:

- Setting minimum stocking/cropping levels (probably not EU compliant).
- Positive exclusion of certain activities: the Republic of Ireland and Scotland are considering the following in relation to businesses which solely undertake equine activity:

- Equine businesses where livestock are actively managed by the claimant and where the stock are bred from would be eligible.
- Equine businesses where there is no management input by the claimant and where there is no breeding of the livestock would be ineligible.

### **Benefits**

- Only those actively engaged in management of the land and agricultural production are eligible for payment.
- Payments are targeted towards the production of agricultural goods.

### **Risks**

- Additional costs to administer the Scheme.
- Possible challenge from those businesses excluded from the Scheme riding/livery establishments.
- Excluding Landlords from being able to claim CCS payments could lead to higher rents being charged to tenants.
- Existing farmers will be reluctant to let new entrants farm their land at realistic rents if they are unable to claim CCS.
- A bureaucratic paper chase will be created by claimants to get round the activity criteria.
- Land would be removed from the umbrella of the protection CCS affords through cross compliance and GAEC's. Important landscape features (Hedges, walls heritage sites would lose protection).

### **Options**

- Introduce eligibility criteria into the Scheme that requires claimants to meet an 'active farmer' definition;
- Retain the status quo.

### **Proposal**

An active farmer requirement is introduced into the eligibility criteria of the Scheme.

There will be 3 facets to the criteria:

- a) Activity is carried out which fits with the Definition of Agriculture.

'the production, rearing or growing of agricultural products including harvesting, milking, breeding animals and keeping of animals for farming purposes or maintaining land in good agricultural and environmental condition.'

- b) The claimant is the person enjoying decision making power, benefits and financial risks in relation to the agricultural activity on the land being farmed.
- c) Records of Agricultural type expenses and receipts are readily available for inspection; such records would be:
  - i. Movement records for stock;
  - ii. Medicine records;
  - iii. Purchase invoice for feed/fertiliser/sprays/medicine;
  - iv. Sales receipts for livestock or produce;
  - v. Other evidence as appropriate.

In addition, a further review of 'active farmer' criteria will be carried out for Scheme Year 2016. This is in line with an ongoing EU review of the implementation of these rules as currently administered by individual EU member states.



### **3.9 5 year extension to the CCS**

*EIPRC Recommendation 9: The Department should undertake a full review of the Countryside Care Scheme by an independent body one year after the move to acreage payments.*

The CCS is now in its 6<sup>th</sup> year and many businesses have made long term plans based on the clarity that the Scheme has introduced. Any radical changes introduced at the end of the current scheme could have serious economic consequences and undermine confidence within the industry. It is felt that giving the industry the assurance that the Scheme will be in place for a further 5 years will give further security and confidence.

Whilst taking on board the need for stability and confidence it is important that the Scheme should be subjected to external review. Subject to Tynwald approving a Scheme extension being adopted, it is felt that such a review should take place no later than Scheme year 2017-18 with any changes being introduced with transitional arrangements. This delay in implementation would give the industry sufficient time to adapt to any proposed changes. This proposal is subject to any radical changes to EU support following their Scheme review in 2020 or other unexpected changes.

#### **Proposal**

The Department proposes to seek an extension to the Countryside Care Scheme for a further 5 years to 2023-24 subject to a review of the Scheme in 2017.

### **3.10 Change of Scheme Name**

In 'Food Matters', the Food Business Development Strategy approved by Tynwald in November 2014, one of the proposals suggested is to amend the name of the Countryside Care Scheme to the 'Countryside Care and Food Business Scheme' to better reflect the focus of the funds to both the industry and wider public.

Parallel to this, Tynwald voted to include consideration of an additional revised proposal, *'that the Countryside Care Scheme be renamed the Rural and Agricultural Development Programme'*

#### **Proposal**

Given the clear and renewed focus on profitable food production, it is proposed to amend the Scheme name to the 'Countryside Care and Food Business Scheme'.

### **3.11 Eligibility of orchards**

In recognition of the increased diversification of food production in the Isle of Man and the increasing demand for locally produced fruit, IAC agreed that clarification on the eligibility of fruit orchards for area payment be sought as this had not been considered during the drawing up of the original scheme.

#### **Proposal**

Due to the interest and potential value to the local food economy, the Department will consider fruit orchards to be 'eligible' for area payment. Eligibility criteria will be more clearly defined as the Department deals with each new case. However, it is initially proposed that only those orchards with a grass understorey capable of being grazed will be eligible for payment.

### **3.12 Future considerations**

This consultation identifies and considers potential Countryside Care Scheme amendments for the Scheme year commencing April 2015. However there are a number of additional considerations already on the table to be looked at in more detail next year. These currently include:

- Agri-Environmental Scheme (Source: Agenda for Change)
- A review of support to the pig industry (Source: DEFA)
- A review of support for young farmers (Source: IAC)
- A review of the functioning of new CAP measures including GAEC's and SMR's (Source: DEFA)
- Improving transparency of scheme payments and other grants made by the Department (Source: DEFA)
- Further consideration of 'equivalency' (Source: IAC)
- Voluntary Public Access (Source: Agenda for Change)

## 4 RESPONSE BY CONSULTEES

The purpose of the consultation is not a referendum, but an information, views and evidence gathering exercise from which an informed decision on any changes will be made.

The Department welcomes representations by anyone who wishes to comment on this document and the consultation questions set out at the end of the document. We would encourage the submission of clear and concise responses via the questionnaire attached below.

It should be noted that all comments and information will be made available for public viewing. We will assume, unless you notify us to the contrary, that you are content for your name and/or organisation to be published in any subsequent public review document.

Any queries in relation to this matter should be marked 'CCS consultation' and addressed to –

John Harrison  
Agricultural Policy Manager  
Department of Environment, Food and Agriculture  
The Slieau Whallian  
Foxdale Road  
St John's  
Isle of Man IM4 3AZ

or [CCSreview@gov.im](mailto:CCSreview@gov.im)

Response should be submitted no later than **Friday 16th January 2015**. The Department maintains the right to publish responses unless explicitly requested not to do so by the consultee.

## 5 CONSULTATION RESPONSE PRO-FORMA

Consultation Response pro-forma	
Name (optional):	
1.	The consultation proposes that the minimum claim size <b>remains as is at 20 eligible acres</b> with the current exceptions for intensive businesses remaining in place.
	<p>Agree <span style="margin-left: 150px;">Disagree</span></p> <p>Further information:</p>
2.	The consultation proposes that payments to CCS claimants would be subject to a <b>maximum</b> of £160,000 per year.
	<p>Agree <span style="margin-left: 150px;">Disagree</span></p> <p>Further information:</p>
3.	The consultation proposes that flat rate payment rates should be capped at £78.20 BML (£13.03 AML) with any remaining budget surplus used to stimulate innovative developments within the Agri-food sector, such as the 'Food Matters' Food Business Development Strategy recently approved by Tynwald. Ensuring the full Agricultural support budget is available to sustain and develop Manx agriculture.
	<p>Agree <span style="margin-left: 150px;">Disagree</span></p> <p>Further information:</p>
4.	The consultation proposes that a system to facilitate redistributive payments (front loading) should <b>not</b> be introduced as modelling shows that perceived benefits are not significant.
	<p>Agree <span style="margin-left: 150px;">Disagree</span></p> <p>Further information:</p>
5.	The consultation proposes that the Department will <b>not</b> consider partial recoupling, as it is perceived to be counter to current policy.

	Agree Disagree Further information:
6.1	The consultation proposes that Government <b>will not</b> seek to use financial or legislative means to encourage the supply of animals to IoMM's as it is 1. counter to Protocol 3 and 2. could distort market signals.
	Agree Disagree Further information:
6.2	The consultation proposes that the Department <b>will</b> task IAC with further work to define equivalency and look at options to amend the current calculation of payments, if appropriate, acknowledging financial and legislative constraints.
	Agree Disagree Further information:
7.	The consultation proposes that the land classes used within the scheme to determine flat rate payment rates will <b>not</b> be expanded from the current two classes to three as the current system is felt to be appropriate.
	Agree Disagree Further information:
8.	The consultation proposes that the eligibility criteria for a successful application to the CCS <b>will</b> be expanded to include a requirement to meet a definition of 'active farmer'.
	Agree Disagree Further information:

9.	The consultation proposes that the full flat rate period of the Scheme is extended by 5 years to 2023-24. With an external review being undertaken 2017-18 and any alterations as a result of this review being implemented for Scheme year 2024-25. Subject to any radical changes to EU support following their Scheme review.
	<p style="text-align: center;">Agree <span style="margin-left: 150px;">Disagree</span></p> <p>Further information:</p>
10.	The consultation proposes that the name of the Scheme is changed to the 'Countryside Care and Food Business Scheme' to better reflect the purpose of providing agricultural support.
	<p style="text-align: center;">Agree <span style="margin-left: 150px;">Disagree</span></p> <p>Further information:</p>
11.	The consultation proposes that orchards are included in the definition of eligible land in the Countryside Care Scheme.
	<p style="text-align: center;">Agree <span style="margin-left: 150px;">Disagree</span></p> <p>Further information:</p>
12	The Department has identified a number of areas for further work in the next scheme year. Are there any other areas that should be included on this list?

## **6 APPENDIX 1 - LIST OF CONSULTEES**

All Tynwald Members  
All Local Authorities  
Department of Infrastructure  
Department of Economic Development  
Manx National Heritage  
Manx National Farmers Union  
Agricultural Marketing Society  
Isle of Man Beef Producers  
Isle of Man Flockmasters Association  
Isle of Man Meats  
Isle of Man Creamery  
Laxey Glen Flour Mills  
Manx Wildlife Trust  
Society for the Preservation of the Manx Countryside  
The Manx Farming and Wildlife Advisory Group



## 7 APPENDIX 2

### Effect of Front Loading (Redistributive payments)

The table below demonstrates the effect of this proposal on payment rates if the average farm size is used and supplementary payments are £12 for the first 159 acres (two thirds) and £6 for the next 63 acres.

The additional payments would be financed by reducing (modulating) all payments by 7.87% this money is then used to make the additional payments.

	Number of acres	Extra £ per acre				
First acres	126	12.00				
2nd acres	63	6.00				
			First acres	2nd Acres	Acres over	% reduction to payments
<b>Flat rate</b>			126	63	189	
BML	78.2		£84.04	£78.04	£72.04	7.87%
AML	13.03		£14.01	£13.01	£12.01	

	BML	AML	Current	Loaded	Higher/Lower		% Change
Examples	20		£1,564.00	£1,680.87	£116.87		7.47%
Examples	100		£7,820.00	£8,404.35	£584.35		7.47%
Examples	200		£15,640.00	£16,298.70	£658.70		4.21%
Examples	300		£23,460.00	£23,503.05	£43.05		0.18%
Examples	307		£24,007.40	£24,007.35	-£0.05		0.00%
Examples	400		£31,280.00	£30,707.40	-£572.60		-1.83%
Examples	500		£39,100.00	£37,911.75	-£1,188.25		-3.04%
Examples	600		£46,920.00	£45,116.10	-£1,803.90		-3.84%
Examples	800		£62,560.00	£59,524.80	-£3,035.20		-4.85%
Examples	1000		£78,200.00	£73,933.50	-£4,266.50		-5.46%
Examples	1200		£93,840.00	£88,342.20	-£5,497.80		-5.86%
Examples		100	£1,303.33	£1,400.72	£97.39		7.47%
Examples		307	£4,001.23	£4,001.23	-£0.01		0.00%
Examples		1000	£13,033.33	£12,322.25	-£711.08		-5.46%