

BREXIT AND SLIPPER FARMING

Below is a response to a constituent who contacted me about 'slipper farming'.

The point you raise regarding 'slipper farming' is an interesting one. It was a problem of particular significance in Scotland because the implementation of the 2003 CAP reform used 2000-02 as reference years to set the value of Single Farm Payment entitlements for the whole of the period 2005-2012. These entitlements had to be activated against land, but did not have to reflect the historic output of that land. A farmer who, for example, gave up milking in 2003 was thus presented with a bonus payment, which he could claim himself or sell.

In England, the move from entitlement payments based on historic output to an area based system (known as the 'dynamic hybrid' model) was undertaken at the earliest opportunity, 2005, and was completed by 2012. Since 2012, all farmers in England have received a fully area based payment for land at their disposal. There are three grades of land against which these entitlements are paid and valued - lowland, severely disadvantaged and moorland.

For a variety of reasons based on concerns over the wider extremes in Scottish agricultural land use, this area based reform was not undertaken by the Scottish Government in 2003. Entitlements were fixed in value but could be activated against any land in Scotland, regardless of its historical output. Trading in entitlements based on the discrepancy between historical value and land value produced the 'slipper farming' problem to which you refer.

The Scottish Government was embarrassed into addressing the problem following a 2012 BBC investigation. The EU considered that the basic rules required to prevent exploitation of this 'loophole' around agricultural activity were already included in the underlying regulations, but the Scottish Government lobbied for this to be tightened in the 2013 reform. This introduced a much tighter definition of 'active farmer', requiring certain activities (wind turbines, sporting estate, etc) to always be excluded from being deemed to be 'agricultural activity', and other income thresholds could be used to ensure that farmers claiming the new Basic Payment Scheme were actually farming.

Scotland is now undergoing the process of migrating entitlement values to represent land areas - a regional flat rate payment based on three regions of land use (effectively productive, non-productive and upland areas) will be fully implemented by 2019.

Together with the restrictions on 'active farming' this should mean that the slipper farming loophole has been dealt with, but trading in entitlements still goes on as there is an administrative difference between owning land and claiming support on it. However, the use of the regional model does prevent the value discrepancy.

The 2013 reform produced a Basic Payment Scheme that is a long way from perfect. The value of the BPS subsidy generally rolls up to land owners through rents, rather than remaining with tenants who are actually farming. It offers no accountability to the British taxpayers who fund it. The whole scheme is overwhelmingly focused on compliance with excessively complex rules: European Commission enforcement is based on a system of penalties and fines administered by national payment agencies, such as the Rural Payments Agency in England, and for farmers, which creates a culture of fear and compliance at the expense of innovation and results. Successive reforms have sought to disassociate the farming subsidy from negative environmental practices, but the scheme is not flexible enough to deliver locally relevant farming solutions nor to address the numerous problems facing the industry, including price volatility and social viability of rural areas.

Whilst it is probable that many of the current programs will be carried on for some time after Britain leaves the EU, in order to minimise the cost of transferring the industry to a new model, all farmers and interested parties can engage now in designing where the farming industry will head in the future. It may not be possible to create a policy that is impossible to 'game', but designing a policy for a single country based on its specific characteristics and landscapes is a lot more appropriate than trying to create a one size fits all model for the EU28. Brexit really does represent a once in a lifetime opportunity to design a nationally relevant and accountable farming policy for the UK.

I hope you find this information useful. Please do not hesitate to contact me should you require anything further.

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