

## ISSUE: Continued support for LFASS:

- LFASS changes are required by EU law and there is no option but to revise payment rates down [to 80% for 2019 and 40% (or €25/ha) for 2020].
- The LFASS (Scotland) Amendment Regulation 2019 was laid on 20 March to ensure LFASS can continue for years 2019 and 2020 in compliance with, and at the **maximum** rate permissible, under EU law.
- [If needed: The SSI also introduced degressivity where payments are scaled back over 4,000ha. This is an EU requirement and will impact on less than 1% of the farmers. Those impacted will be contacted individually.]
- I have committed to maintain the level of support at 80% for 2019 and 2020 with an aspiration to reach 100%. This will need to be delivered out with the powers in the amending LFASS SSI that was laid on 20 March.
- However, as the UK Government is taking us out of the EU we don't even know what legal powers we will have in 2020; we don't know what form state aid rules will take; and fundamentally we don't know the details of any replacement funding from the UKG.
- My officials are exploring all potential options so that we are ready to make progress as soon as we have some certainty on the issues I have listed.
- We are liaising with stakeholders on this, I met with NFUS last month and my officials met with key stakeholders (NFUS, NBA, NSA, SCF, SLE, Env LINK) last month to keep them informed.
- The Bew Review on CAP convergence is currently underway. As I have previously said any additional funding arising from the review will be prioritised for the LFA.
- Scottish hill farmers on average are being denied around £14,000 over a six year period under the CAP convergence uplift retained by UK Government.
- The reductions to LFASS will not impact on those farmers and crofters who receive the minimum LFASS payment of £385 (around 14%), which will not change.
- Scotland is the only part of the UK to offer income support in our LFA, providing £65.5 million funding in 2018 to the most marginalised farmers and crofters.
- The last year of the Hill Farming Allowance scheme in England was 2010, and Wales transitioned out of their scheme paying 60% in 2012 and 30% in 2013.
- It should be remembered that LFASS is additional to the basic, greening and coupled support payments. Due to the requirement for BPS payments to converge towards a regional average in 2019, the **overall** subsidy support has declined less than 3% from 2015 to 2019.
- Despite the reduction in LFASS for 2019, 56% of businesses receiving both LFASS and BPS will have an **overall** increase in support in 2019, compared to 2015.

## LFASS loans & LFASS 2018 payments

- An LFASS 2018 loan scheme was opened to provide financial certainty in the short term to farmers and crofters most at risk as a result of Brexit. In total 10,855 loan offers were made worth over £57.4 million to the most fragile rural communities of Scotland. By 08 April we had processed loan payments for 8,379 farmers and crofters who have accepted a loan, with these payments worth over £51.7 million.
- CAP LFASS payments commenced on 8 April. 5,532 farmers and crofters will receive their full LFASS 2018 payments worth £24 million (where they have received an advance via the loan scheme they will receive the balance of their payment). As CAP LFASS payments have started the loan scheme closed on 12 April 2019.