

Subject: LFASS 2019 and 2020

Key Issues:

- **EU rules require LFASS payments to be reduced to 80% in 2019 scheme year and 20 in 2020 scheme year**
- As set out in the recent Stability and Simplicity Consultation, my priority in the short-term is to provide people in rural businesses with as much certainty as possible.
- I have taken this approach with LFASS and as soon as I could, in December, I announced that we will continue with a 100% LFASS payment for 2018.
- EU rules do not allow us to continue with LFASS unchanged from next year so, after considering all options, I announced in June that LFASS will continue next year, with the payments at the maximum that EU rules allow, which is 80% in 2019. This has given farming and crofting businesses advance notice to provide as much financial stability as possible during these uncertain times.
- No decisions have been made regarding LFASS 2020, my officials are exploring all possible options to maintain vital support to the industry in 2020, including a series of meetings with key stakeholders to consider the options and impacts.
- This is challenging, as the UK Government is taking us out of the EU we don't even know what rules will apply in 2020 and fundamentally we don't know the details of any replacement funding from the UK Government.
- We are working closely with the industry on this. In August I met with the NFUS Less Favoured Area Committee and my officials met with them again earlier this month. Officials have also met with other stakeholders this month including crofters, National Sheep Association, National Beef Association.

Key figures:

- LFASS is vital for our rural economy and remote communities throughout Scotland, and currently provides £65.5m support to over 11,000 farmers and crofters
- Scotland has continued LFASS when every other country in the UK has stopped it.
- With 85% of Scotland's agricultural area classed as less favoured, it is the reverse in England with around 15% classed as less favoured.

Supportive quotes/comparisons:

- Stakeholders welcomed the continuation of LFASS at 100% in 2018 but are concerned about the reduction of LFASS for 2019 and 2020, particularly as the uncertainty caused by Brexit is also impacting on the livestock sector, and the weather has led to increased input costs.
- NFUS noted that it is important that they work with the SG and we are doing just that.

For the announcement of 2018 round being retained at 100%:

"NFUS has welcomed the announcement from the Scottish Government's budget which will safe guard vital payments to many hill and upland farmers and crofters in

Scotland.

The Union have been seeking clarity and swift action from the Scottish Government over the last few months and are pleased to see that they have done just that.

The re-instatement of the LFASS 2018 budget, which has returned to £65 million, is of significance considering the downward pressure being put on many other of the Scottish Government's spending areas.

Despite this welcome news, there is still work to be done as NFU Scotland continues to try to find a solution beyond the 2018 LFASS.

It is important that the union works with the Scottish Government to ensure active farmers and crofters can continue to deliver for local communities, their local economies, and the habitats, biodiversity and landscapes that are only delivered by extensive, yet active, grazing systems."