

EXECUTIVE NOTE

The Organic Aid (Scotland) Amendment Regulations 2005 SSI/2005/619

1. The above Instrument is made in exercise of the powers conferred by section 2(2) of the European Communities Act 1972. The Instrument is subject to negative resolution procedure.

Policy objectives

2. The purpose of the Instrument is to amend the Organic Aid (Scotland) Regulations 2004 (as amended by S.S.I 2004/174 and 2004/381), in line with the introduction, under CAP reform, of the Single Farm Payment and with revisions proposed following extensive consultations with stakeholders. These changes will offer more support to producers wishing to convert to or remain in organic production and, in particular, will bring the payment rates into line with payment rates offered elsewhere in the UK.

Background

3. The Organic Aid Scheme is a discretionary agri-environment scheme available throughout the whole of Scotland. It is aimed at delivering a wide range of environmental benefits by supporting farmers wishing to adopt the environmentally-friendly farming practices required under the terms of organic certification.

Amendments to the Scheme Regulations

4. The 2004 Regulations are to be amended to alter many of the grant rates payable under the Scheme, to update the definitions of certain land types in the Scheme, to clarify eligibility for fruit and vegetable payments, to alter the definitions of landlord and tenant and to allow for joint landlord/tenant applications where the tenant has a short-term lease with less than 5 years to run.

(a) Introduction of new payment rates for conversion to organic production. The Instrument increases the grant rates payable to farmers converting arable land, improved grassland or vegetable and fruit land to organic production. These new rates will apply to all participants in the Scheme who submitted a competitive application to the Scheme after 2002. Payment rates for conversion of rough grazing or unimproved grassland are unchanged.

(b) Introduction of new payment rates for maintenance of organic production. The Instrument significantly increases the grant rates payable to farmers who wish to remain in organic production of arable land, improved grassland or vegetable and fruit land. It also changes the basis of grant paid for maintenance of rough grazing or unimproved grassland, from a flat rate of £500 per annum per production unit to £5 per hectare subject to a minimum payment of £500 per production unit. The Instrument also revises some of the payment rates for capital items involved in conversion to organic farming, to update and correct the original calculations of these rates.

(c) Changes to the definitions of landlord and tenant and to the Regulations governing eligibility for grant payments. These changes have been made to bring the Organic Aid Scheme Regulations into line with the definitions in the Land Management Contracts (Menu Scheme)(Scotland) Regulations 2005 (S.S.I. 2005/225). These changes will mean that tenants with limited duration tenancies will be able to apply to the Organic Aid Scheme providing their landlord agrees jointly to assume the obligations of the agreement.

(d) Updating the definitions of certain land types. The definitions of Arable land, Improved grassland and Rough grazings have been amended to ensure that they are consistent with definitions specified in the CAP Reform implementing regulations.

(e) Clarification of eligibility for fruit and vegetable payments. This amendment clarifies the eligibility of fruit and vegetable land which is in rotation.

Consultation

5. These changes have been introduced following extensive discussions with stakeholder groups. They were notified to the European Commission in two separate notifications, in September 2004 and September 2005.

Financial effects

6. There are no significant economic implications for Scottish businesses resulting from the definitional changes. The financial effects for individual Scheme participants will depend on the type of land that they are converting or maintaining in organic production. Most Scheme participants (except for those converting rough grazing or permanent pasture) will benefit from an increase in the level of grant payments provided. In the case of maintenance payments, this increase is likely to be significant.

7. These amendments will result in an overall increase in the support provided from the Scottish Executive and from the EU for those participants who joined the Scheme from 2003. The future overall financial impact of these changes will depend on the number of participants entering on an annual basis and the value of the applications. The cost will be met from within existing resources.

8. The amendment to the definition of landlord and tenant and the change in the regulation allowing tenants with limited duration tenancies to join the Scheme (jointly with the landlord) will increase the number of tenant farmers eligible to apply to the Scheme, although funding will continue to be awarded through competition.

9. The Scheme is an integral part of the Scottish Rural Development Plan and is co-financed by the EU, utilising amounts raised from the modulation of CAP direct payment.

10. The instrument has no effects on local government.