

RURAL DEVELOPMENT PROGRAMME FOR ENGLAND

QUARTERLY REPORT ON DELIVERY: JANUARY-MARCH 2009

1. The following provides a summary of delivery of the RDPE during the first quarter of 2009.

Highlights

- Natural England (NE) remain on course to deliver their agri-environment schemes 70% land cover target by March 2011. A total of 65% of land was under agreement at 31st March, an increase of 6% in the year.
- NE received 1,050 ELS applications in quarter 1 of calendar year 2009, which is an increase in the level of applications since the previous quarter and the first such increase for a year.
- 95% of eligible Hill Farm Allowance (HFA) claimants had received payments amounting to £20.9m.
- English Woodland Grant Scheme (EWGS) remains open for applications.
- All RDAs report delivery of the socio-economic measures at amber/green. Over £220m of the Programme budget has been allocated to projects and Programme of investment since the beginning of the Programming period (including legacy from the ERDP) .

Lowlights

- NE received 314 HLS applications in the last quarter. This rate will need to be increased in order to meet the 09/10 targets.
- The RPA is in the process of recovering HFA overpayments when a number of estimated payments were made to avoid payment delays for farmers.
- Uptake of the Energy Crop Scheme is significantly below that expected at the beginning of the programming period,
- The economic downturn has impacted on the number of applications coming through for Axis 1 and 3. Delays in obtaining approval for use of the increased *de minimis* under the EU Temporary Aid Framework and uncertainty over funding anaerobic digestion under the RDPE.

Qualitative commentary on projects agreed and delivery

Axis 1 (by theme)

Skills and knowledge transfer (including Axis 3)

2. One NE report 14 live projects approved with a grant value of £251k. Land Skills East Midlands contract signed with the project manager appointed. EEDA launched its \$4.5m regional skills programme on 30 March with 35 partner organisations signed up to deliver training over the next 3 years. SWRDA's Vocational Training Scheme is to be led by Duchy College with input from associates. SEEDA report over 1500 trainees benefitting so far from LandSkills South. Significant numbers of applications have been made for AWM's £5.4m skills, training and knowledge transfer programme

Livestock

3. Over 1000 beneficiaries have been trained under Livestock Health SE with further training providers being considered. In addition, a £91k lamb processing project is being appraised. SWRDA has launched a specialist advisory service covering Animal Health and Welfare. Its SW Healthy Livestock Initiative covers a Blue Tongue awareness programme; a BTb Bio-Security project; and a Pig Sector disease Programme. A SW Meat Infrastructure project is also proposed. Three livestock concepts are in the appraisal process in East of England which will include increased capacity for an abattoir processing animals for direct sale; a pig disease mitigation consultation programme with BPEX (in conjunction with YF); and stock health plans for 1200 beef and sheep farms. East Midlands has approved a small nutrient management project on a Derbyshire dairy farm that although not big in finance terms will have substantial demonstration impact. NWDA's livestock website went live during the quarter. A number of training courses covering animal health and welfare and an on-farm butchery have been approved by One NE. YF's LandSkill programme is delivering livestock training via veterinary practices. YF is also delivering a Herdsman Certificate through RAFT which offers a modular approach to herd health to improve profitability.

Renewable energy / resource efficiency

4. Yorkshire Forward is delivering energy and resource efficiency savings on livestock farms through funding heat exchangers, rain water harvesting and recycling, and nutrient management. One NE report £344k in grant provided by Rural Development Initiatives (RDI) including for firewood processing equipment, woodfuel storage areas and wood chipping equipment. AWM will be targeting woodfuel/forestry as part of the further launch of its Strategic Investment Grant

towards the end of April/early May. Water storage projects have been approved by EEDA and EMDA. As issues surrounding funding of anaerobic digestion through the RDPE becomes clearer many regions report increased interest.

Forestry

5. SEEDA had provided £318k to a log processing project. SW Sustainable Woodlands Programme is targeting knowledge transfer and market development.

Adding value

6. SEEDA approved £1.5m of funding for three fruit storage and processing projects. Two collaborative projects adding value to combinable crops are under consideration by EEDA. EMDA has approved two projects in the fruit and cereals sectors. Nine large scale projects have been approved by One NE amounting to about £2m in areas such as meat processing, egg processing and grain drying. In addition One has reported 200 jobs have been safeguarded as part of a potato

7. processing project. A collaborative grain handling facility for farmers supplying malting barley has been funded by Yorkshire Forward and is due for official opening in early May. AWM has approved funding of £600k for Heart of England Fine Foods to help food and drink producers and processors to develop sustainable markets.

Axis 3 (by theme)

Farm Diversification / Micro-business development

8. Two projects have been approved by EMDA – a visitor attraction and a farm based recycling business. AWM has set up a £5m Rural Enterprise scheme that will fund small-scale farm diversification and rural business development projects. SEEDA has received 27 expressions of interest for farm diversification projects. In addition it has received two applications for projects amounting to £217k and approved a £167k farm shop development. Investment of £700k has been approved in the SW. Interest in One NE's Micro business Fund (that provides £10k grants) has been high.

Tourism

9. NWDA is developing a Sustainable Local Food Growth Programme. As part of Sustainable Rural Tourism/Heritage in the SW, six strategic investment schemes have been agreed with a total budget of £13m. A £250k 'Welcome to the Countryside' project has been approved by AWM to support Destination Management Partnerships that will lead in rural marketing activity. EEDA is progressing a proposal for a four year Programme from East of England Tourism for possible launch in the autumn. Two projects are under consideration – to develop a

visitor centre and an outdoor adventure centre linked to a water resource for the benefit of local farmers.

Leader

EEDA – most LAGs now have funding in place and 3 year rolling delivery plans have been submitted. Project ideas are being developed.

EMDA – Has completed a second round of LEADER applications and now have seven LAGs approved. The first round LAGs are all operational some with projects approved.

AWM – Has eight LAGs appointed that will focus on social and community measures.

SEEDA – All LAGs were now contracted. 12 of the 14 groups have approved projects.

NWDA - £1.5m has been approved for three major small grant schemes to be delivered by one Cumbria LAG. A high level of expressions of interest has been received following the launch of the Cumbria LAGs with a few small projects approved.

One NE – The Four LAGs have annual budgets of £350k each and projects are beginning to be approved.

Yorkshire Forward – has six LAGs in place (two cross border with ONE and NWDA). five are starting to approve projects.

SWRDA – has allocated £33m to its LAGs.

Axis 2

Agri-environment Schemes

As at 2 March coverage of agri-environment schemes was as follows:

Scheme	Area (ha)	% of UAA	No. of agreements
CSS	438,640 ha	4.7%	11,933
ESA	499,750 ha	5.4%	7,7739
(O)ELS	5,027,767 ha	54.1%	37,909

Freestanding HLS	52,365 ha	0.6%	315
Total	6,018,522	64.8% of UAA	

HLS Coverage

No. of (O)HLS agreements	(O) HLS Agreement area (ha)	% of UAA under HLS
		(Note that because most HLS, and all OHLS, agreements are underlain by ELS agreements most HLS agreements do not add to the total UAA coverage.)
3,056	305,069 ha	3.3%

Organic Scheme coverage

	No. of agreements	Total agreement area (ha)	Registered Organic area (ha)
OELS	2,279	292,779 ha	237,558 ha
OHLS	267	70,417 ha	43,520 ha
Total	2,546	363,169 ha	281,078ha

UAA = utilisable agricultural land in England

10. The UAA target measures the relative coverage of agricultural land by agri-environment agreement i.e. Environmental Stewardship (ELS, OELS) Most HLS agreements are underlain by ELS and so do not count separately towards the coverage target. There are also a few freestanding HLS only agreements which count towards the NE 70% coverage target by 2011.

Environmental Stewardship

11. 608 new (O)ELS and 170 (O)HLS agreements were approved during the quarter up to 2 March, (the latest date for which we have figures from Natural England). 1050 (O)ELS and 314 (O)HLS applications were received.

12. ELS applications are now levelling off and increased uptake is needed, and HLS applications are still lower than needed to secure HLS agreement targets (even

though this figure only represents 2 months in the quarter) as need c.590 applications per quarter.

13. Despite this, Natural England are still on track to meet the 2011 70% land cover target (and the 65% land cover milestone by March 2009 was met early). However, achievement of the 70% coverage target is dependent on high levels of renewals (90%) of the expiring ELS agreements due in 2010/11 and transfer from expiring CSS/ESA agreements into ES. This is currently being addressed through a promotion campaign to stimulate applications prior to the big 2010 ELS renewals push, and is also a target for NE's 2009/10 Delivery Agreements.

14. Following the removal of the set-aside requirement in 2008 there are concerns that farmer behaviour towards joining ELS may have been influenced, and there are industry concerns that any new requirements to mitigate loss of set-aside environmental benefits may depress ELS uptake. However some new and other amended ELS options are due to be introduced, coupled with increased promotion and advice to ensure that the scheme remains attractive to farmers.

Countryside Stewardship/Environmentally Sensitive Areas

15. The following table provides the levels of expired classic scheme agreement land that has now transferred into ES.

REGION	2004 classic scheme land that is no longer in classic AE agreements, as at March 2009	Proportion of that expired classic land that has already gone into ES agreements.
East Midlands Region	215,550 ha	80.5%
East of England Region	224,050 ha	88.2%
London Region	Not yet available separately from SE Region.	
North East Region	112,071 ha	90.2%
North West Region	163,850 ha	67.0%
SE & London Regions	220,750 ha	86.9%
South West Region	357,125 ha	74.2%
West Midlands Region	164,300 ha	65.1%
Yorks & Humber Region	185,260 ha	77.4%
Total	1,642,956 ha	78.5%

HFA

16. As of 7 May, 95% of eligible Hill Farm Allowance (HFA) claimants – some 6682 claimants - had received payments amounting to £20.9m. In line with EU payment rules, farmers received initial instalments of 75%. Following completion of the inspection programme in March, full payments – i.e. of the other 25% - commenced on 1 April. The RPA is in the process of recovering HFA overpayments, most of which stem from 2006, when a number of estimated payments were made to avoid payment delays for farmers. Under EU rules the RPA is required to recover the overpayments. The RPA is applying sympathetic terms for repayment, and there are a number of repayment options to make the process as easy as possible for the hill farmers affected. Further, Defra has increased the *de minimis* (the level below which debts are written off), so recovery will not be pursued if the debt per scheme year is less than £250.

England Woodland Grant Scheme

17. Rather than ‘closing’ for new English Woodland Grant Scheme (EWGS) applications at the end of February as originally advertised we were able to remain open thus improving continuity. At the same time we announced various helpful changes:

- A range of new regional WIGs with higher (80%) contribution rates targeted at things like woodland birds and ancient woodland restoration.
- A higher rate of payment for Woodland Planning Grant which we hope will encourage more woodland owners to produce management plans. We have also proposed to the Defra reference group a mechanism whereby woodland owners who have plans approved via this route would be able to sell their timber as compliant with the new ‘CPET’ public sector timber procurement policy – formal endorsement is awaited.
- For Woodland Management Grant a raising of the threshold at which we require full UKWAS certification of woodlands from 30 to 100ha.

Energy crops

18. To date the level of uptake of the Energy Crop Scheme is significantly below that expected at the beginning of the programming period. So far, 177.44 ha have been planted under the scheme, with £118, 000 paid out in claims. The low uptake has primarily been attributed to the high returns available to farmers from cereal production, making energy crops uncompetitive in comparison. This situation has been exacerbated because of the change from a flat rate grant per hectare for establishment costs under the ERDP to actual costs under the RDPE. As a result,

the planting grants offered have fallen, from 60% of costs for short rotation coppice and 55% for miscanthus under the ERDP, to 40% for both crops under the RDPE.

Rural Development Programme for England
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