

CAP REFORM PROPOSALS

OCTOBER 2011

The Commission published proposals on the 12th October which were largely in line with the leaked proposals earlier this Summer. The publication of these Draft Regulations is the start of a long process of negotiation and much may change and develop. It is possible that the proposed date of introduction of the 1st January 2014 could slip to 2015.



Some of the primary points set out in the proposals are as follows:

Allocation of Entitlements - Existing entitlements will be extinguished and the proposal is that from the 1st January 2014, a completely new allocation of entitlements will take place. It is suggested that entitlements will only be allocated to those who successfully claimed on at least 1 hectare of entitlement in 2011. This issue needs to be carefully considered when taking on additional land, either by purchase or to rent.

There will be a Basic Payment scheme and in addition, an annual Greening Payment. In order to receive the Greening Payment, it will be necessary to maintain permanent pasture; grow at least three crops with each totalling no more than 70% of the arable area and none less than 5% of the arable area; and maintain an Ecological Focus Area (EFA) of at least 7% of the eligible land excluding permanent grass. Management of the EFA may include fallow land and buffer strips. Organic and small farmers are exempted from Greening. The requirement for three crops is likely to have an impact on farmers retaining contractors where the management of the cropping is in blocks of land to suit the contractor.

Maintenance of Permanent Grass - Permanent Grass is defined as that which has not been included in the cropping rotation of the Holding of 5 years or longer.

Young Farmers - A basic payment to new entrant Young Farmers (under 40) which will be a top up of 25% of the Basic Payment for the first 5 years of claims.

Small Farmers Scheme – This will probably only be of interest to farmers on less than approximately 15 acres, so will be of limited benefit. A simplified mandatory scheme with less stringent cross-compliance requirements and an exemption from Greening in return for a lump sum payment. The annual payment of up to €1,000 will replace all direct payments.

Areas with natural restraints may receive additional payment

Active Farmers - In order to iron out legal loopholes, the Commission proposes that the definition of active farmers is tightened and a minimum activity bar will be set by the Member States. Payments would not be granted to applicants whose CAP direct payments are less than 5% of total receipts from all non-agricultural activities. There will be a derogation from this for farmers who receive less than €5,000 in direct payments.

Capping - No payment will be made over €300,000, and the following capping thresholds will apply:

- 20% of money between €150,000 and €200,000
- 40% of money between €200,000 and €250,000
- 70% of money between €250,000 and €300,000

The assessment of the amount to be capped is to exclude the Greening Payment and is to be done after deducting salaries effectively paid and declared by the Farmer in the previous year. It is not clear at this stage whether the salaries are to be restricted to those stemming only from “agricultural activity”. Capping does not apply to Pillar 2 payments (Rural Development Programme, for example HLS). It should be noted that any restructuring carried out to businesses from the date of the publication of the Draft Regulation on the 12th October, may be deemed to be artificial.

Minimum Area - The UK could set the minimum claim area of 5 hectares or €200.

No Double Funding - This means that something paid for under direct payments, for example Greening, cannot also be paid for under RDP (eg HLS) and vice versa.

Cross-Compliance – Under the proposals, the Cross Compliance provisions will be simplified and penalties will not apply to Small Farmers (less than €1,000). The Water Framework Directive, as well as the Directive relating to the use of Pesticides, will be brought into cross-compliance.

Rural Development Regulation - This relates to the RDP 2014 to 2020. It is not clear what money will be available to the UK for RDR Schemes. Any Environmental Stewardship Agreements with a start date of the 1st January 2012 or later, will have a revision clause included in them to allow for agreements to be amended in order to reflect any changes to the RDR.

If you would like to discuss these proposals, please contact David Bletsoe, Nicola Clayton-Bailey or James Sealy on 01832 732241.