



Countdown to CAP Direct Payments

An Introduction to the Basic Payment Scheme,
Greening Payment and Young Farmers' Scheme



Department of
**Agriculture and
Rural Development**

www.dardni.gov.uk

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Introduction

Welcome to 'Countdown to CAP' which aims to provide you with information on the area-based schemes that will come into effect from 2015 under the EU reform of the Common Agricultural Policy (CAP). Although many parts of the new policy will be the same across the whole of the EU, there are some decisions which we can make ourselves at a Northern Ireland level. To help us make sure we do what's best for farmers, rural communities and taxpayers, we've consulted on these decisions.

This is the first of a series of bulletins which will be published on the DARD website. Further bulletins will follow as more information becomes available on each of the schemes, what you need to qualify and how you can apply.

In this bulletin, we are focussing on the Basic Payment Scheme which will replace the Single Farm Payment Scheme from 2015, the greening payment, the Young Farmers' Scheme and Cross Compliance.

The Basic Payment Scheme

The CAP will benefit the rural economy in Northern Ireland by over £2 billion from 2014 to 2020. Most of this funding will be paid through Direct Payments which include the Basic Payment Scheme (BPS).

If you have claimed SFP before, there will be lots about the BPS you will find familiar, but some things are new. For example, your total payment will be made up of a BPS payment, a greening payment and, where applicable, a Young Farmers' payment.

To qualify for BPS in 2015, you will need to comply with all of the criteria of the Scheme which includes:

- you must be an 'active farmer';
- you must have at least 3 hectares of 'eligible' land at your disposal on 15th May 2015; and
- you must be eligible to establish at least 3 BPS entitlements.

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Eligible Land

You will need to make sure that the land you claim for BPS is eligible both when you apply and throughout the calendar year. The land declared must be at your disposal on 15th May 2015. It is likely that the land eligibility rules for BPS will be very similar to the current SFP land eligibility rules.

How to Establish BPS Entitlements

If you already have SFP entitlements, they will be cancelled at the end of December 2014. You can apply to establish new entitlements on your 2015 SAF. You will be allocated BPS entitlements if you:

- enjoy the decision making power, benefits and financial risks in relation to the agricultural activity on the land for which an allocation of entitlements is requested. This has become commonly known as being an 'active farmer' and means that in 2015 landowners renting out land in conacre will generally not be able to establish entitlements on that land. Where land is let, the farmer actively farming the land will usually be the one claiming direct payments on that land;
- were in receipt of SFP in the 2013 scheme year (prior to the application of any penalties) enabling you to activate at least €100 of payment entitlements; and
- have at least 3 hectares of eligible land at your disposal on 15th May 2015.

The number of new entitlements that you will be allocated will be equal to the number of eligible hectares you declare in 2015. You must declare all the eligible land on your holding in 2015. As outlined above, you must have at least three eligible hectares of land to meet the minimum claim size of three hectares.

Alternative ways to establish BPS Entitlements

If you were not in receipt of SFP in the 2013 scheme year (prior to the application of any penalties) enabling you to activate at least €100 of payment entitlements, there are other ways in which you can establish entitlements. These include:

Agricultural Production Activity on 15 May 2013

If you never held SFP entitlements but you can provide verifiable evidence of production activity on 15th May 2013.

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Regional Reserve

Entitlements will also be allocated via the Regional Reserve which will be established by the Department. It will be financed by reducing the funds available for the BPS and is defined as the difference between the BPS budget ceiling and the value of BPS entitlements held by farmers. The percentage reduction applied to create the Regional Reserve will be decided by the Department based on demand. The Regional Reserve will be used to allocate payment entitlements to new entrants and young farmers, and to those who were prevented from being allocated entitlements as a result of force majeure or exceptional circumstances.

To be eligible for an award from the Regional Reserve as a young farmer or a new entrant you will need to have at least Level II qualification in agriculture (or a related subject containing at least a farm business management module).

Private Contract Clause

There is also the option to use a Private Contract Clause if you bought, leased or took in conacre, land from someone who claimed SFP in 2013 and you have this land at your disposal on 15th May 2015.

However, the Private Contract Clause option might not be available if the person transferring the 2013 allocation right (transferor) has sold or leased/let out all of their land in 2015 as the transferor must meet the definition in EU legislation of a farmer in 2015.

This issue is currently being clarified with the EU Commission. If the Private Contract Clause is successfully used, then the transferor still retains the right to establish entitlements in 2015. The deadline for applications under the Private Contract Clause is 15 May 2015 and an application process will be put in place by DARD in due course.

Negative List

EU legislation stipulates that, from 2015, no direct payments shall be granted to those who operate airports, railway services, waterworks, real estate services, permanent sport and recreational grounds. This is also known as the negative list.

Even if your business operates one of these activities, you may still be classed as an active farmer if you meet certain rules. We'll tell you more about these later in the year.

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Entitlement Values

The value of the new entitlements allocated in 2015 will be derived from the value of SFP entitlements you held on 15 May 2014 (i.e. those held for the 2014 scheme year), including any entitlements purchased by you prior to 2 May 2014. Various reductions will be applied and the resulting total value of entitlements will be divided by the eligible area you declare in 2015 to give the initial unit value.

The initial unit value of those BPS entitlements below the regional average will be increased by 71.4% of the difference between their initial unit value and the regional average over the 2015 - 2019 period. For BPS entitlements above the regional average, a linear decrease will be applied to the difference between the initial unit value and the regional average over the 2015 - 2019 period. The size of the linear decrease will be what is required to fund the increase in entitlements below the regional average and is likely to be close to 71.4%. The transition between 2015 and 2019 will take place in equal annual steps and is consistent with achieving a flat rate payment by 2021 - a 7 year transition period. However, arrangements after 2019 will depend on future EU CAP Reform decisions.

Transferring entitlements

As new BPS entitlements will be allocated in 2015, there will be no further trading of entitlements until the 2016 scheme year.

Large holdings

Your BPS payment (excluding Greening and any Young Farmer payment) will be capped at €150,000 a year.

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The Greening Payment

From 2015, it will be mandatory for applicants to the BPS to comply with greening requirements. Thirty per cent of the direct payments' regional ceiling (i.e. money allocated to Northern Ireland for direct payments) will be allocated to the greening payment. It will be calculated as a percentage of the total value of BPS entitlements activated by claimants each year. Therefore, over time, the value of the greening payment per hectare will move towards a flat rate payment at the same pace as the movement of the Basic Payment. If you do not establish any BPS entitlements, you will not receive the Greening Payment.

There are three elements to greening:

- Permanent grassland;
- Crop Diversification; and
- Ecological Focus Areas (EFAs)

1. **Permanent grassland:** Permanent grassland is land used to grow grasses or other herbaceous forage, this can be self-seeded or sown and that has not been used in the crop rotation in the previous five years or longer.

A reference ratio of the amount of permanent grassland relative to the total agricultural area will be established in 2015 at regional level. DARD has decided to monitor permanent grassland at regional level. If this ratio decreases by more than 5% then DARD will have to introduce measures placing restrictions on the conversion of permanent grassland to arable use and requiring individual farmers to re-convert land back to permanent grassland. Member States will also be required to designate permanent grassland in areas covered by Natura 2000 and the Birds and Habitats Directives which are environmentally sensitive and which need protection to meet the requirements of these Directives. Farmers will not be allowed to convert or plough permanent grassland in these areas.

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2. **Crop diversification:** Farms with less than 10 hectares of arable land are exempt from crop diversification requirements. In addition, farmers will be exempted from crop diversification requirements in the following circumstances:-
1. Where more than 75% of the **arable land** is used for the production of grasses or other herbaceous forage, is land lying fallow, or a combination of these uses, provided the remaining arable area not covered by these uses does not exceed 30 hectares;
 2. Where more than 75% of the **eligible agricultural area** is permanent grassland, is used for the production of grasses or other herbaceous forage, or a combination of these uses, provided the arable area not covered by these uses does not exceed 30 hectares;
 3. Where more than 50% of the areas under arable land were not declared by the farmer in his/her aid application of the previous year and where all arable land is being cultivated with a different crop compared to that of the previous calendar year. The operation of this exemption in Northern Ireland is subject to further consideration by DARD.

In the case of farms which are not exempt:

- Those with between 10 hectares and 30 hectares of arable land must grow at least two crops. The main crop shall not cover more than 75% of the arable land.
- Those with more than 30 hectares of arable land must grow at least three crops. The main crop shall not cover more than 75% of the arable land and the two main crops together shall not cover more than 95% of the arable land.

Grass will count as a crop type and there are additional flexibilities if grass covers more than 75% of the arable land. Winter and spring crop varieties count as separate crops.

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3. **Ecological Focus Areas:** Farms with more than 15 hectares of arable land must have 'Ecological Focus Areas (EFAs)'.

On farms which are not exempt, 5% of arable land must be identified and declared as EFA from 2015 (this may rise to 7% in 2017). The following features and areas can be used to meet EFA requirements: land lying fallow; landscape features required to be retained under cross compliance (which in any event include hedges, ditches and stone walls); areas of agro-forestry; areas of short rotation coppice with no use of mineral fertiliser and/or plant protection products; afforested areas which were used to claim SFP in 2008; and areas with nitrogen fixing crops. All of these features must be on or adjacent to arable land with the exception of short rotational coppice and afforested areas.

Like crop diversification, there are exemptions to the EFA requirement. Farmers with holdings that meet certain conditions shall be exempted from the requirement to have EFAs. These conditions are:

1. Where more than 75% of the **arable land** is used for the production of grasses or other herbaceous forage, is land lying fallow, is used for cultivation of leguminous crops or is subject to a combination of those uses, provided that the arable area not covered by those uses does not exceed 30 hectares.
2. Where more than 75% of the **eligible agricultural area** is permanent grassland, is used for the production of grasses or other herbaceous forage, or is subject to a combination of those uses, provided that the arable area not covered by these uses does not exceed 30 hectares.

Land certified as being farmed organically automatically qualifies for the greening payment but double funding (receiving the greening payment and organic farming payment for doing the same thing) is not permitted. This exemption only applies to those fields which are organically farmed.

We'll explain more about the greening requirements later in 2014.

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The Young Farmers' Scheme

The Young Farmers' Scheme provides a 'top-up' to the Basic Payment for those who qualify as a young farmer. The amount of top-up payment received by a young farmer will be based on 25% of the total direct payments regional average per hectare, approximately €84 per hectare. The young farmer top-up payment per hectare will be made on the number of eligible hectares used to activate BPS entitlements subject to a maximum limit of 90 hectares. If you do not establish BPS entitlements, you cannot receive the top-up payment under the Young Farmers' Scheme.

The CAP regulations define "young farmers" as natural persons:

- who are setting up for the first time an agricultural holding as head of the holding, or who have already set up such a holding during the five years preceding the first submission of an application under the Basic Payment Scheme; and
- who are no more than 40 years of age in the year of submission of their application.

The payment will be made for a maximum of 5 years but that period will be reduced by the number of years elapsed between setting up as head of holding and the first year of application to the scheme (2015).

EU Regulations require that the young farmer must be head of holding, exercising effective and long-term control over the business in terms of decisions related to management, benefits and financial risks. For a single member business, the position is clear in that the only member of the business will be head of holding.

DARD will provide further guidance, in due course, on the evidence required to prove compliance with the legislative requirements for head of holding in the case of multi-member businesses.

Young Farmer applicants must also have at least a Level II qualification in agriculture (or a related subject containing at least a farm business management module). The College of Agriculture, Food and Rural Enterprise (CAFRE) will put in place an education package over the period September 2014 - March 2015 to allow those who do not have the required qualification to acquire it.

More information on this will be made available later in 2014.

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Cross Compliance

Cross compliance rules have been in place since 2005 and will continue under the new Common Agricultural Policy. They are a minimum set of requirements to help protect the environment, improve food safety and animal welfare. You will have to meet them if you claim payments for any of the new schemes.

The current rules apply until 31 December 2014. The rules to be introduced in 2015 will be broadly similar and guidance on them will be issued in due course.

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Online Services

As we develop the new schemes, we will be particularly focused on making it as simple as possible for you to make your application. To do this, we will continue to develop our online Single Application Service to make it even easier for you to use. In 2014, over 11,000 applications were completed online. The online application service shows the most up-to-date field information and will also help prevent you from making simple mistakes which could hold up your payment.

To apply for any of DARD's online services you will need to register for a Government Gateway User ID. You can do this by accessing: www.dardni.gov.uk and clicking on the 'DARD Online Services' tab at the top of the home page.

Examples of the online services you can access are:

- **SAF Online** - where you can complete your Single Application.
- **Maps Online** - where you can view, print and report any changes to your farm maps.
- **Aphis Online** - where you can register births, deaths and movements for herds.
- **On-line Payment Summary** - where you can view and print a statement of payments made to your farm business.
- If you need assistance getting online you can call the DARD On-line Services helpdesk on 028 9442 6699.

Further Information:

This bulletin contains a brief overview of CAP Reform and does not cover every option or provision that may affect individual farmers.

The latest information on CAP Reform is on the DARD website: www.dardni.gov.uk

If you have any queries regarding the content of this bulletin you can call the

DARD Helpline on 0300 200 7852 or email us on: dardhelpline@dardni.gov.uk

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